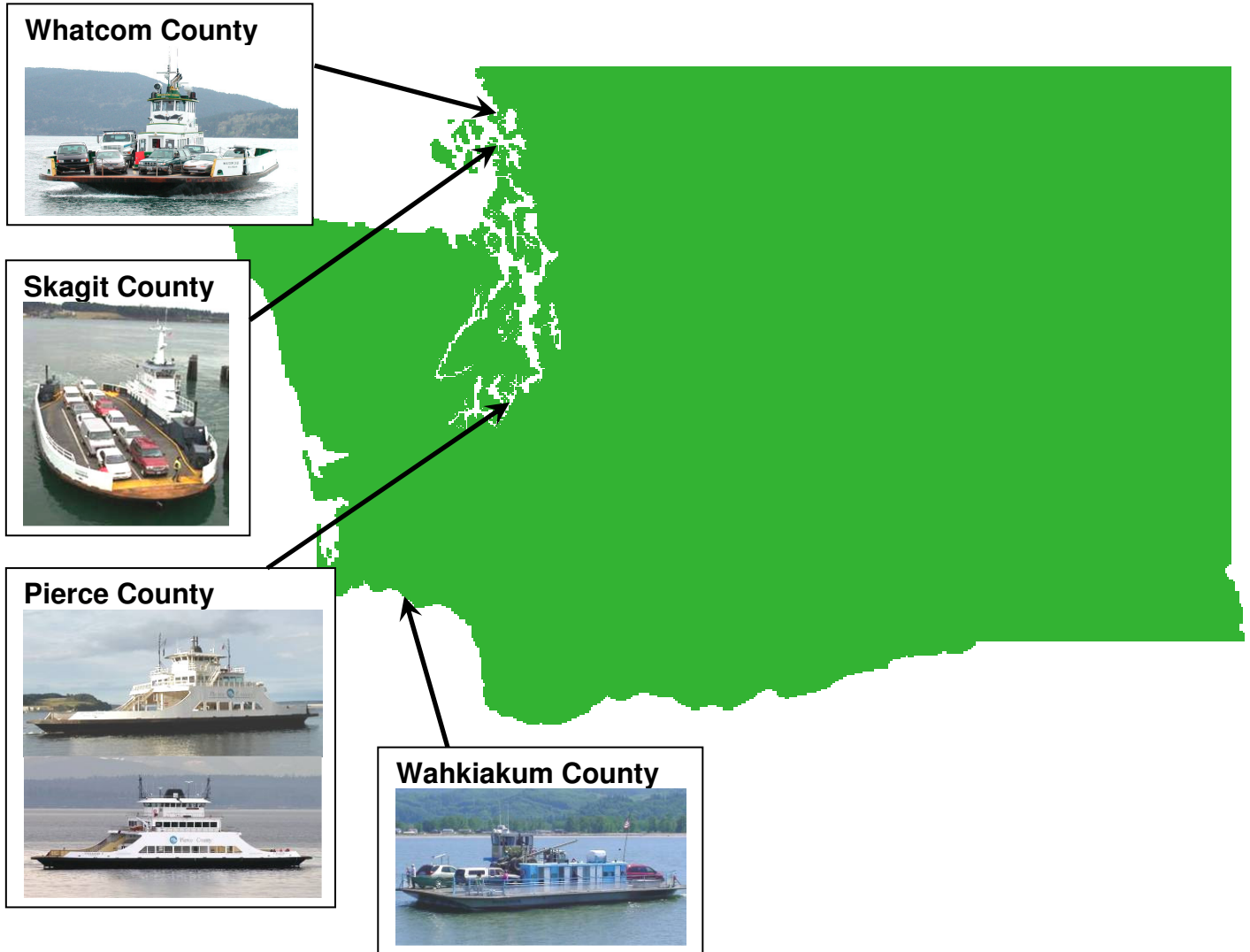


COUNTY FERRY SYSTEMS REPORT



December 2008

COUNTY FERRY SYSTEMS REPORT

**County Road Administration Board
December 2008**

Table of Contents

	Page
Executive Summary	2
Pierce County Summary	3
Skagit County Summary	4
Wahkiakum County Summary	5
Whatcom County Summary	6
Other Ferries in the State of Washington	7
County Ferries	
County Road Relationship	10
Previous Studies and Reports	11
Governing Laws	14
Pierce County Ferry System	16
Skagit County Ferry System	24
Wahkiakum County Ferry System	31
Whatcom County Ferry System	37
County Ferries - Operational and Financial Summary	45
Appendix A - County Ferry Fares	51
Appendix B - Comparison of Ferry Fares	55

2008 County Ferry Systems Report

Executive Summary

The topography of Washington State brings challenges to the transportation system. Besides the “usual” array of highway bridges, tunnels, and mountain passes, vehicle and passenger ferries are an integral part of the state transportation system.

In addition to various public and private auto and passenger-only ferries in the State of Washington, four counties operate ferries as part of their local transportation network:

- Pierce County operates two ferries on Puget Sound connecting Anderson and Ketron Islands with the mainland at Steilacoom.
- Skagit County operates one ferry on Puget Sound connecting Guemes Island with Fidalgo Island at Anacortes.
- Whatcom County operates one ferry on Puget Sound connecting Lummi Island with the mainland at Gooseberry Point, west of Bellingham.
- Wahkiakum County operates one ferry on the Columbia River, connecting Puget Island (near Cathlamet) with Westport, Oregon.

On the following four pages are general summaries of the county operated ferry systems.

The sources of revenue for the operation of the four County Ferries are: Fare box receipts; local county road funds; a portion of the statewide counties’ share of the Motor Vehicle Fuel Tax (MVFT) shared by the three county ferries on Puget Sound; and a subsidy from the Washington State Department of Transportation for the Wahkiakum County ferry. Potential sources of funding for capital expenditures for the County Ferries include federal transportation funds; state Public Works Trust Fund loans; state grants administered by the County Road Administration Board; and local county road funds. There are also provisions to form local ferry districts with taxing authority.

While the ferry systems in these four counties have long operational histories, they continue to face both mechanical and financial challenges to be sustainable. Even though all counties are increasingly pressed to provide more services with declining resources, operating ferries is an especially difficult basic transportation service.

The focus of this report is to describe the background and current operating status of the four county ferry systems.

Note: Due to the format of available information, all historical and ferry user data within this report is presented based on the calendar-year and, unless otherwise noted, financial data is presented based on state fiscal year.

PIERCE COUNTY ANDERSON & KETRON ISLAND FERRIES

The M/V Christine Anderson and M/V Steilacoom II provide service between the town of Steilacoom and Anderson and Ketron Islands. The ferries provide the only link to the mainland for the two islands' permanent and part-time residents. The boats begin/end the day at Steilacoom, with normal operating hours from 5:45 am to 8:30 pm, extending to 11:00 pm Friday through Sunday evenings. One round-trip takes approximately 60 minutes (serving Anderson only) and 75 minutes (serving both Anderson and Ketron).

Christine Anderson



Steilacoom II



Vessel Built:	1994	2006
Vessel Vehicle Capacity:	54	54
Vessel Passenger Capacity:	250	300
Length of Route:	3.5 miles (Anderson-Steilacoom)	
Crew Size:	4	

2007:

Scheduled Runs (one-way):	9,176
Vessel Miles Travelled:	37,139 miles
One-Way-Trip vehicles carried:	217,652
One-Way-Trip drivers & passengers carried:	430,496
Maintenance and Operation Costs:	\$ 3,417,576



SKAGIT COUNTY GUEMES ISLAND FERRY

The M/V Guemes provides service between the city of Anacortes and Guemes Island. The ferry provides the only link to the mainland for the island's permanent and part-time residents. The boat begins/ends the day at Anacortes, with normal operating hours from 6:30 am to 10:30 pm, extending to 12:30 am Saturday and Sunday mornings. One round-trip takes approximately 30 minutes.



Vessel Built:	1979
Vessel Vehicle Capacity:	22
Vessel Passenger Capacity:	99
Length of Route:	0.7 miles
Crew Size:	3

2007:	
Scheduled Runs (one-way):	17,680
Vessel Miles Travelled:	12,376 miles
One-Way-Trip vehicles carried:	199,497
One-Way-Trip drivers & passengers:	426,426
Maintenance and Operation Costs:	\$1,639,558



WAHKIAKUM COUNTY **PUGET ISLAND - WESTPORT OREGON FERRY**

The M/V Wahkiakum provides the only interstate connection across the Columbia River between the Astoria-Megler Bridge (43 miles to the west) and the Longview Bridge (26 miles to the east). In addition to connecting SR 4 in Washington with US 30 in Oregon, it serves as a detour route during closures of SR 4 and US 30. The boat begins/ends the day at Puget Island (connected by bridge to the town of Cathlamet), with normal operating hours from 5:00 am to 10:30 pm. One round-trip takes a minimum of 30 minutes.



Vessel Built:	1962
Vessel Vehicle Capacity:	12
Vessel Passenger Capacity:	76
Length of Route:	1.5 miles
Crew Size:	2

2007:	
Scheduled Runs (one-way):	13,104
Vessel Miles Travelled:	19,656 miles
One-Way-Trip vehicles carried:	62,347
One-Way-Trip drivers & passengers carried:	100,703
Maintenance and Operation Costs (SFY):	\$ 698,392



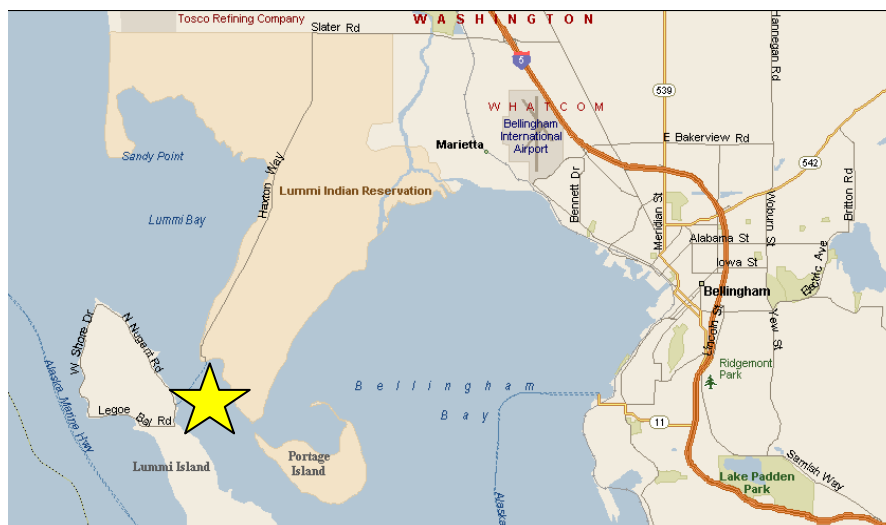
WHATCOM COUNTY LUMMI ISLAND FERRY

The M/V Whatcom Chief provides service between Gooseberry Point and Lummi Island (Gooseberry Point is located on the Lummi Indian Reservation). The ferry provides the only link to the mainland for the island's permanent and part-time residents. The boat begins/ends the day at Lummi Island, with normal operating hours from 5:40 am to 12:30 am. One round-trip takes a minimum of 20 minutes.



Vessel Built:	1962
Vessel Vehicle Capacity:	20
Vessel Passenger Capacity:	103
Length of Route:	0.9 miles
Crew Size:	3

2007:	
Scheduled Runs (one-way):	24,128
Vessel Miles Travelled:	21,715 miles
One-Way-Trip vehicles carried:	257,560
One-Way-Trip drivers & passengers carried:	438,346
Maintenance and Operation Costs (SFY):	\$ 2,144,707





Other Ferries in the State of Washington

There are a variety of public and private ferries in Washington State in addition to the four county ferries:

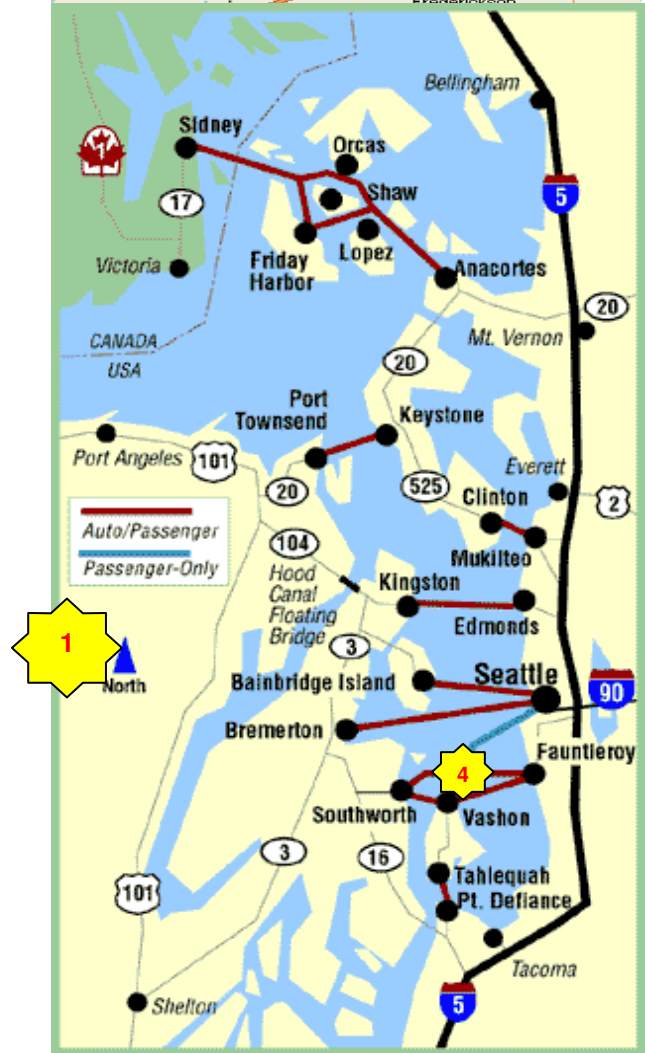
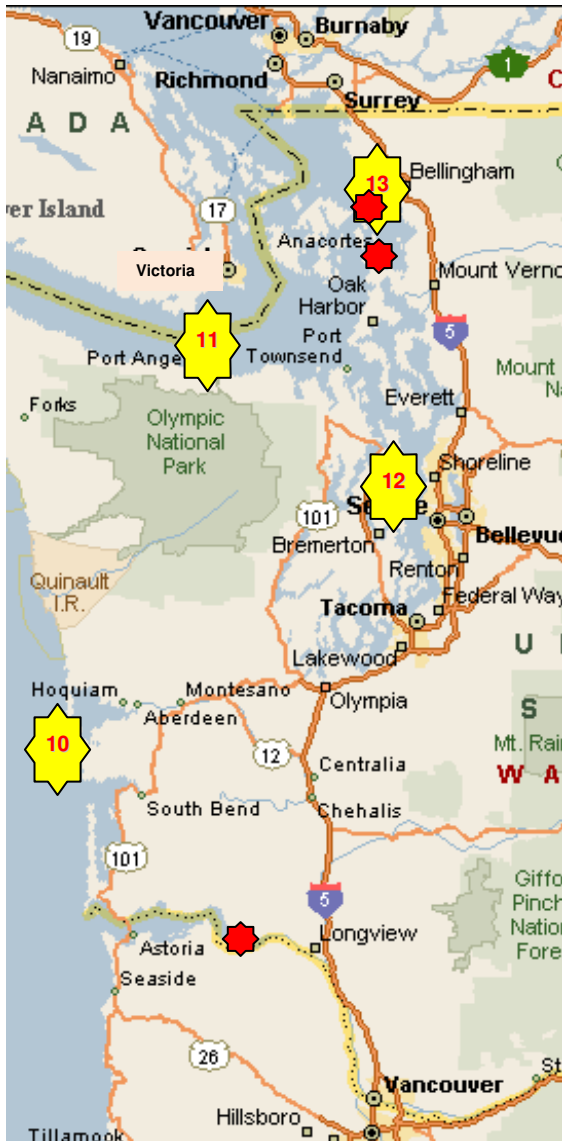
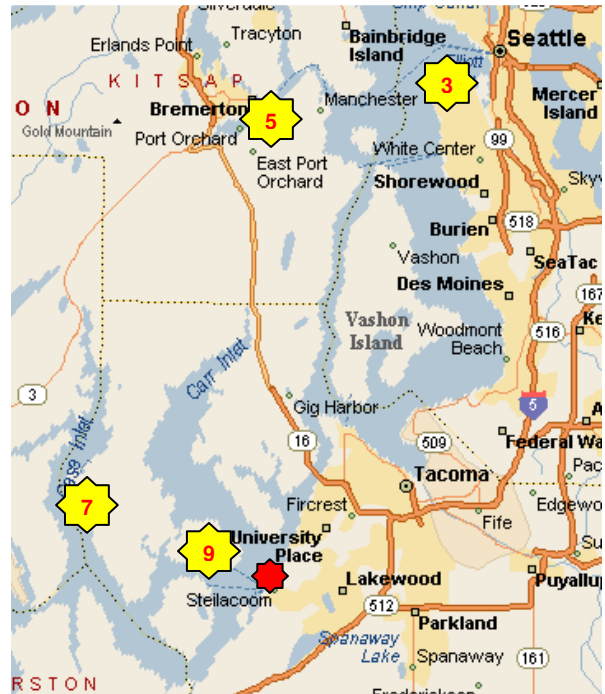
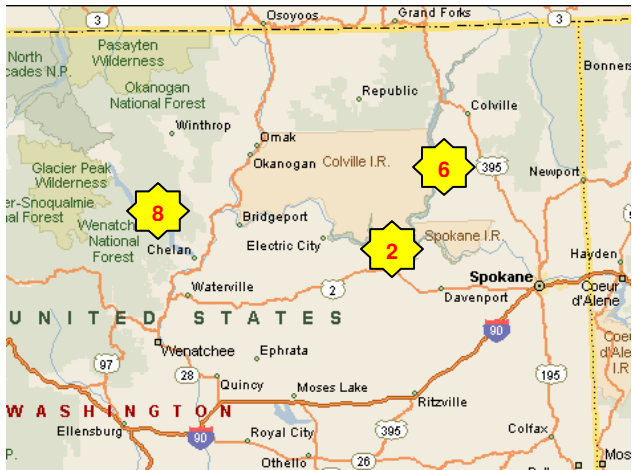
1. The Washington State Department of Transportation operates the nation's largest ferry system, linking 20 terminals with ten routes and a fleet of 24 vessels on Puget Sound, stretching from Point Defiance near Tacoma north to Anacortes, the San Juan Islands and Sidney, British Columbia.
2. The Eastern Region of WSDOT operates the free Keller Ferry on State Route 21 as it crosses the Columbia River and Lake Roosevelt, connecting Lincoln and Ferry Counties.
3. King County contracts with Argosy Cruises to operate the Elliott Bay Water Taxi, a passenger-only ferry linking Seacrest / West Seattle with Pier 55 in downtown Seattle on a seasonal basis from April to October.
4. In July 2008, King County assumed financial responsibility for the WSDOT-operated passenger-only ferry route linking Vashon Island with downtown Seattle.
5. Kitsap Transit operates a passenger-only ferry on Sinclair Inlet, connecting Port Orchard and Annapolis with Bremerton.
6. The Confederated Tribes of the Colville Reservation operate the Inchelium-Gifford Ferry crossing the Columbia River/Lake Roosevelt under a contract with the Bureau of Indian Affairs (BIA).
7. The Herron Island Ferry is operated by the Herron Island Home Owners Association, connecting Herron Island with the Key Peninsula in Pierce County.
8. The Lady of the Lake Company operates two passenger-only ferries on Lake Chelan, connecting the communities of Stahekin and Holden Village with the City of Chelan at the south end of the lake.
9. The Department of Corrections operates three passenger-only ferries connecting the correctional facility on McNeil Island with a dock adjacent to the Pierce County ferry terminal in Steilacoom. The DOC also pays Pierce County for use of its ferry terminal at Steilacoom to operate a tugboat and barge to McNeil Island.
10. The M.V. El Matador provides seasonal summer passenger-only ferry service between Ocean Shores and Westport, Washington.

11. Black Ball Transport, Inc., operates the sea-going vehicle and passenger ferry M.V. Coho between Port Angeles, Washington, and Victoria, British Columbia.
12. Clipper Navigation, Inc., operates three passenger-only Victoria Clippers from Seattle to Victoria, British Columbia. The firm also offers seasonal sailings to the San Juan Islands and whale watching excursions.
13. The Alaska Marine Highway System operates a sea-going vehicle and passenger ferry from Bellingham, Washington, to several communities in southeast Alaska.

The above ferry system locations are identified on the following page by number with  (County Ferry Locations are identified with )

Additional San Juan Islands and Victoria passenger services are available. Access to service information can be accessed through the following WSDOT webpage:
<http://www.wsdot.wa.gov/ferries/index.cfm>

Washington Ferries - Locations



County Ferries

County Road Relationship

The operation of ferries by counties which carry vehicles are considered to be a component of the county road system. The docks and transfer spans are classified as bridges for funding eligibility purposes. The ferries themselves are considered extensions of the adjoining county roads. Supporting facilities such as parking lots, vehicle holding lanes, and passenger waiting areas, are considered an integral part of the ferry system and, therefore, ancillary facilities to the county road system.

Pierce County has also been successful in qualifying its ferry system as a transit system under Federal Transit Authority rules, and in cooperation with Pierce County Transit.

The following table demonstrates the size of each counties' roadway systems and the comparative financial magnitude of both ferry and overall transportation related expenditures.

Calendar Year 2007							
County	Total County Road Centerline Miles	Number of County Bridges	Length of Ferry Route (miles)	Ferry Docks included in County Bridge Inventory	(from county financial reports)		
					Total County Transportation Related Expenditures	Total County Ferry Related Expenditures	County Ferry O&M Expenditures as a percent of total expenditures
Pierce	1551	106	3.5	3	\$147,934,411	\$3,464,223	2.3 %
Skagit	796	101	0.7	2	\$19,875,312	\$1,859,372	9.4 %
Wahkiakum	144	18	1.5	1	\$3,793,484	\$730,537	19.3 %
Whatcom	955	136	0.9	2	\$28,572,501	\$1,876,316	6.6 %

With the high cost of operations and its drain on local resources it might be argued that counties should simply discontinue the service and allow a private entity to provide the service at no public cost. In fact, the reverse was true many years ago when most ferries were private operations and eventually the counties had to step in to ensure continued service for both public and private interests. Much like a road or bridge that provides the only access, service must be continued to ensure access to the properties and public interests whether on the mainland or an island.

Previous Studies and Reports

The issues of funding operation, maintenance, and capital improvements for the four county ferry systems have been discussed for more than fifty years. Here are seven examples:

Excerpt from “County Gas Tax Allocation Study”

Prepared by the Joint Fact-Finding Committee on Highways, Streets and Bridges, October 14, 1954.

The (report) shows the ferry data for those counties that operate ferries. The estimated construction costs for ferries include the county's investment in ferries, docks and wharves, and ferry buildings. This figure has been divided by the total mileage for the county system and added to the bridge construction estimate per mile of county road. This total has been included in the Estimated Construction Costs per Average Mile of County Road ...

The average annual amount spent by each county for ferry maintenance for years 1950, 1951, and 1952 is shown (in the report). These amounts, each divided by the county's total mileage, give the annual average expenditure for ferry maintenance per mile of county road. From a study of these figures an estimate for ferry maintenance was made for each county. This estimate was added to the estimated bridge maintenance figure and the total ... was included in the maintenance estimate ...

Excerpt from the CRAB 1975 Annual Report (County Ferries, A Costly Responsibility)

A 1954 county gas tax allocation study made provision, in theory at least, for ferry operations costs and provided appropriate additional gas tax for counties saddled with the necessity of operating a ferry. Over the years, however, substantial changes have taken place in the economy and ferry operating costs have become an ever increasing burden to the commissioners of Pierce, Skagit and Whatcom counties. There is general agreement among knowledgeable county and state officials that the ultimate solution to the dilemma lies in a modification of the counties' gas tax allocation formula. To provide some interim relief, however, the Legislature passed an act which makes available a special ferry operations subsidy for these three counties designed to pick up about half their ferry operating deficits.

While Pierce, Skagit and Whatcom Counties will receive their ferry subsidy off the top of the counties' gas tax allocation, Wahkiakum County, which operates an interstate ferry across the Columbia River to Oregon, has been receiving a much needed subsidy from WSDOT funds for a number of years.

Excerpt from “1984 Cost Factor Study”

Prepared for the Washington Association of Counties by the State Aid Organization, Washington State Department of Transportation.

Ferry systems and their costs are included in the determination of allocation factors for the applicable counties. As a segment of the counties' transportation networks, they are treated like roads and bridges.

Ferry maintenance costs are taken directly from each county's ferry deficit report. The operation and maintenance costs are gathered from this report, which is submitted to WSDOT every year. These totals are combined with bridge and road maintenance costs to get the total annual maintenance costs for each county.

The replacement costs for each ferry system are a combination of the worth of the vessels and landing facilities. The replacement values were gathered by consulting each county agency for accounting or planning estimates. The amounts are summarized in (the report). The total replacement costs are divided by 25 and added to the road and bridge costs for a total annual cost by county.

Excerpt from the CRAB 1988 Annual Report (The Counties' Ferry Fleet)

Through the combined efforts of the State Aid Division of DOT and the County Road Administration Board, a report will be presented to the Legislative Transportation Committee early in the 1989 session with recommendations as to the level of state support for these ferry systems. In round numbers, the four county ferry systems together generate about 2% of the total ferry revenues realized in the state while carrying approximately 5% of the total passengers. The average operating cost per passenger on the four county ferry systems is very close to the state average of \$6.76.

Excerpt from the December 1990 Report to the Legislative Transportation Committee, regarding County Ferry Systems

Section 2, Chapter 8 of the Washington State Laws of 1988 states that:

The Department of Transportation and the County Road Administration Board shall, by December 31, 1988, jointly provide the Legislative Transportation Committee a report describing the current financial status of county-operated ferry systems. The report shall include recommendations regarding the appropriate levels of state support for these transportation services and whether there is sufficient justification to consider transferring responsibilities for

operations of these systems to the Washington State Department of Transportation.

The submittal date for the report was extended by the 1989 Legislature to December 31, 1989, at which time a report detailing the operations and Maintenance (O&M) difficulties being experienced by the county ferry systems was submitted. A recommendation that accompanied the submittal of the O&M report suggested that analysis of the Capital Improvement needs of the systems be postponed until December 31, 1990 in order to take advantage of capital needs information that was in the process of being collected in several of the counties. The legislature concurred with that recommendation and granted an extension for submittal of the Capital Improvement report.

Excerpt from the 2007-2009 Transportation Budget Request - Program Z, Local Programs - Operating (agency detail)

Local Programs is responsible for administration of state and federal funds that support city and county transportation systems.

This program provides the (state) operating subsidy to reimburse Wahkiakum County for a portion of the operating and maintenance costs deficit, pursuant to RCW 47.56.720.

Excerpt from the 2007-2026 Washington Transportation Plan (The Plan for the Future - The Challenge)

There are four county-operated ferries in Washington State that have needs for vessel and terminal asset preservation. They are located in and operated by Pierce, Skagit, Wahkiakum, and Whatcom counties.

Governing laws

Revised Code of Washington

RCW 36.54 - Ferries - county owned

Describes the general authority and limitations to own and operate ferries. Also includes language pertaining to the creation and operation of a ferry district.

RCW 36.54.015 - Ferries - Fourteen year long range improvement plans

Scope of the planning requirement.

RCW 47.56.720 - Puget Island-Westport ferry

Describes the relationship between the state and Wahkiakum County ferry operation, including the annual operation and maintenance deficit reimbursement by the state.

RCW 47.56.725 - County ferries - Deficit reimbursements - Capital improvement

Describes the annual operating deficit reimbursement shared among Pierce, Skagit, and Whatcom counties, administered by the state. Also includes language authorizing county ferry capital improvement funding for all four ferry counties, administered by CRAB.

RCW 46.68.090 (2)(h) - Distribution of Statewide Fuel Tax

MVFT allocation to counties, with provision for funds pertaining to 47.56.725 WSDOT operating deficit distribution to the counties and CRAB ferry capital program distribution occurring prior to normal distribution of the balance.

RCW 36.81.121 - Six-Year Transportation Plans

Requirement for six-year transportation plans to be adopted by counties, plus for those counties operating ferries to also include “proposed capital expenditures for ferries, docks, and related facilities.”

RCW 47.04.140 - Counties obtaining federal aid for ... ferry boats or approaches.

Whenever a county that operates or proposes to operate ferries obtains federal aid for the construction, reconstruction, or modification of any ferry boat or approaches thereto under Title 23, United States Code, the following provisions apply to the county's operation of its ferries.

Washington Administrative Code

WAC 136-400 CRAB administration of the county ferry capital improvement program

WAC 468-22 WSDOT administration of county ferry franchises, tolls, and financial assistance

United States Code

Title 23: Chapter 1 - Section 129(b)

This section authorizes that expenditure of federal funds for the acquisition and construction of approaches to ferries. Such ferry may be either publicly or privately owned and operated, but the operating authority and the amount of fares charged shall be “under the control of a State agency or official, and all revenues derived from publicly owned or operated ferries shall be applied to payment of the cost of construction or acquisition thereof, including debt service, and to actual and necessary costs of operation, maintenance, repair, and replacement.”

U.S. Coast Guard Requirements

As public transportation conveyances, ferries are subject to various U.S. Coast Guard requirements. The vessels operating in a salt water environment must be inspected annually, and at least once every two years the inspection must be out-of-water (dry-docked) for hull inspection and maintenance. The out-of-water inspection for vessels on fresh water routes is once every five years.

Crew sizes are mandated by the vehicle and passenger capacities. Records of each sailing and operational event must be logged by date and time, including vehicle and passenger counts.

Pierce County Ferry System

Location and general operational history

The Pierce County ferry operation connects Anderson and Ketron Islands with the mainland at Steilacoom. Pierce County operates with two ferries. Unlike the ferries used by the other counties, the Pierce County boats have an upper deck for passengers and a lower deck for vehicles, and the vessels and ticketing are operated under contract rather than by county employees.

Privately owned companies and private parties provided ferry services from the early 1900's until 1937 for Anderson Island, and until 1961 for Ketron Island. After that the County assumed responsibility for the service.

The following table is a general chronology of the Pierce County Ferry operations:

YEAR	EVENT
1937	Pierce County takes responsibility for the Steilacoom to Anderson and McNeil Island ferry route. Service was provided with a 10 vehicle capacity ferry M.V. Tahoma which was privately owned but under contract with Pierce County.
1961	The Steilacoom to Ketron Island route is added to the system.
1967	The ferry M.V. Islander was purchased by the County from the State of Oregon. The ferry had a capacity for 18 vehicles and 100 passengers.
1976	The County takes possession of its second ferry, a 1936 vintage surplus navy vessel, christened the M.V. Steilacoom. It had a capacity of 30 vehicles and 150 passengers.
1981	The McNeil Island route is terminated.
1983	The Anderson Island Ferry Landing is reconstructed.
1986	The Steilacoom waiting facility and restaurant is reconstructed.
1987	A new waiting facility and a Park & Ride lot are constructed on Anderson Island.
1989	The first Waterborne Transportation Study is completed outlining the direction for the ferry operations in the ensuing years.
1994	The County puts the newly constructed ferry M.V. Christine Anderson into service. Alaska Marine Charters, Inc. wins the operations contract.
1998	The Steilacoom and Ketron Island Landings are reconstructed.
1999	The ferry vehicle waiting lanes at Steilacoom are reconstructed.
2002	The Anderson Island Park & Ride lot and vehicle waiting lanes are reconstructed.
2003	The 2003 Waterborne Transportation Study is completed outlining the direction for the ferry operations in the ensuing years.
2006	New ferry M.V. Steilacoom II is completed and placed in service.

During 2008, Pierce County leased one of its ferries to the Washington State Department of Transportation for use on the Keystone-Port Townsend run following the retirement of its four Steel Electric Class ferries in November, 2007. The lease is scheduled to continue into 2009. The State is expected to initiate service with the first of the new Island Home class ferries on the Keystone-Port Townsend run in 2010.

The run between Anderson Island and Steilacoom is 3.5 miles, so the roundtrip sailing schedule is about hourly during much of the day. Service to Ketron Island is less frequent, and a three-point routing is used for the Ketron runs. Extra runs are seldom added to the schedule.

Pierce County is currently the recipient of two County Ferry Capital Improvement Program grants from the County Road Administration Board. The first is a \$3.5 million grant being applied towards a Public Works Trust Fund loan repayment from the construction of the M.V. Christine Anderson at the average rate \$173,000 per year for 20 years (until 2012). The second and more recent is a \$7.1 million grant paid to the County at the rate of \$353,000 per year for 20 years (until 2026), and it is also being applied towards a Public Works Trust Fund loan for the construction of the M.V. Steilacoom II.

Historical use and user demographics

The current Anderson Island land use consists of 993 developed residential lots, out of a total 2,723 lots that are available for residential development. For Ketron Island there are 16 developed residential lots out of a total 249 lots available for development. While the population on Anderson Island has grown by an average of 4% per year over the past 20 years, this growth is expected to slow. Due to limitations on water supply, there is little to no additional development expected on Ketron Island.

Comparison of 1990 to 2000 US Census data showed that the Anderson Island population grew from a population of 548 to 900. Ketron Island currently only has a population of 18 people.

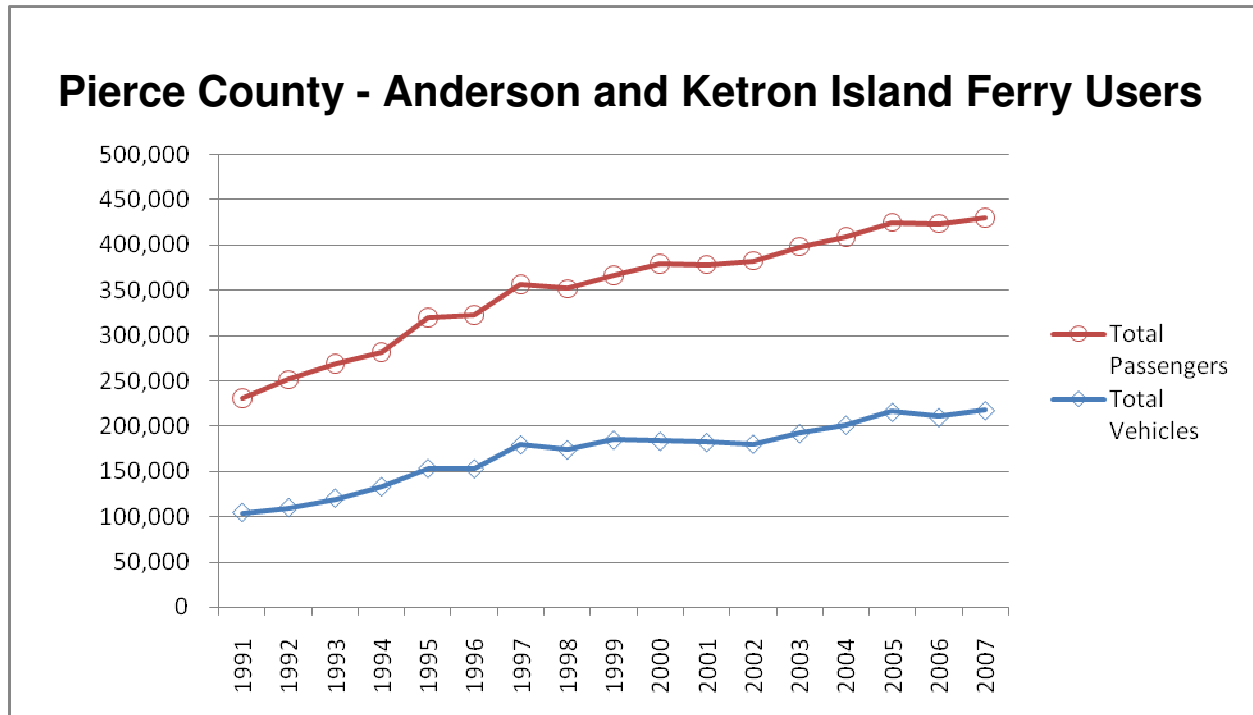
The most significant demographic change from 1990 to 2000 was the relative increase in primary householders in the 45 to 64 year old range. Along with this has been a drop in the median age from 58 years old to 52. The number of households on Anderson Island also increased, growing from 517 to 720 (total growth of about 39%). The most significant change was in the number of occupied (as opposed to vacant and seasonal homes) households. These grew from 245 to 421 in the same time period (an increase of 72%).

The change in number of occupied households, coupled with the increase in the 45-64 year old age demographic, signifies an increasing proportion of working families on the island. This further suggests that the primary impacts on ferry traffic are during the

morning (6:00 – 9:00 a.m.) and evening (5:00 – 7:00 p.m.) peak periods as more residents are traveling to/from work and school.

As suggested earlier, growth rates are slowing and are expected to remain moderate in comparison to the 1990's and early 2000's.

The following graph depicts the changes in vehicle and passenger usage since 1991. The impacts of the changing cost of personal travel and real estate costs can already be seen in declining rates of user growth.



Planning and implementation of service changes are driven by the county's "concurrency" requirement in the County Code. The code requires that the system is to carry all vehicles on winter weekdays, that being weekdays from September 15th through May 15th. With 12 runs per day and 54 vehicles per run, the number of vehicles that can travel each day is 648. The number of vehicles using the ferry is still significantly below this maximum during winter weekdays.

Current system description and operating costs

The Pierce County ferry system consists of two ferry boats, three terminals, and various buildings, parking areas, and queuing lanes. The vessels require a crew of 4 to operate, with additional personnel at Steilacoom handling ticketing.

The ferry route from Steilacoom to Anderson Island is about 3.5 miles long, and a round trip takes about one hour. There are 12 roundtrips Mondays through Thursdays; 14 on Fridays and Saturdays; and 13 on Sundays. Three or four of the sailings also stop at

Ketron Island, adding about 4 miles and 20 minutes to the round trip. The ferry is based in Steilacoom, with the first departure at 5:45 A.M. Monday through Saturday (7:00 A.M. on Sundays), and the last departure at 7:30 P.M. Monday through Thursday and 10:00 P.M. Friday through Sunday.

Ferries: The M.V. Christine Anderson was built in 1994, and the M.V. Steilacoom II in 2006. Each has a capacity of 54 cars and 250-300 passengers. At present one vessel is adequate to meet the scheduled service, with the second vessel available as a backup. (During 2008-2009, one of the vessels is leased to WSDOT for use on the Port Townsend-Keystone ferry run in north Puget Sound until a replacement for the Steel Electric class WSDOT ferries is in service.)

Steilacoom Terminal: This facility includes a slip, transfer bridge, dock, waiting room/ticket counter, parking facilities, and queuing lanes that extend along the public street into Steilacoom. The Steilacoom Terminal is served by Pierce Transit Route 212.

Anderson Island Terminal: This facility includes a slip, transfer bridge, dock, waiting room, and park & ride facility.

Ketron Island Terminal: This facility includes a slip, transfer bridge, and dock.

The Department of Corrections (DOC) provides ferry service to McNeil Island and the State prison. They use their own dock for their passenger-only boats that regularly transport employees and others. They also operate a tug and barge to transport vehicles to McNeil Island. This vehicle barge uses the County dock at Steilacoom to load and unload vehicles to and from the barge. The DOC pays the County a yearly rent for the use of the Steilacoom dock.

Following are photos of the Steilacoom, Anderson, and Ketron terminals:

Anderson Island Terminal



Ketron Island Terminal



Steilacoom Terminal

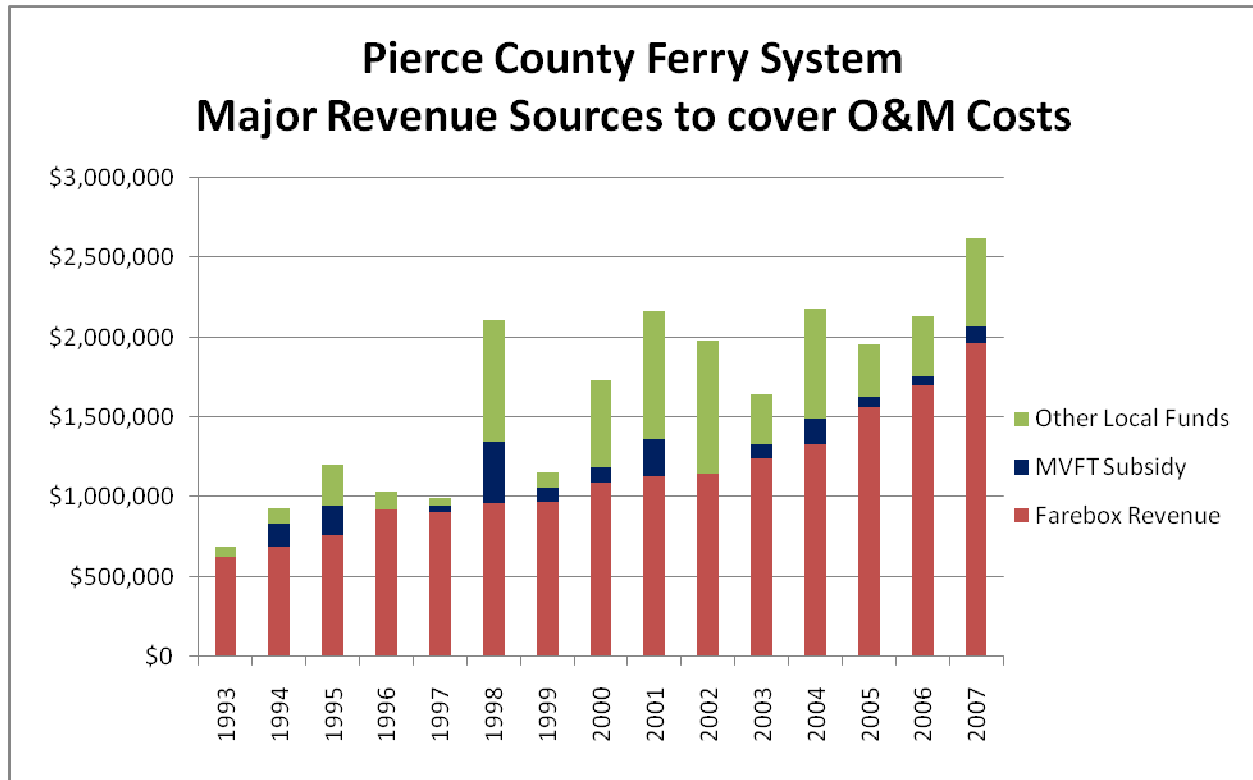


Following is a table showing the current system inventory:

Pierce County - 2008 System Current and Replacement Values				
VESELS	M/V Christine Anderson	M/V Steilacoom II	TOTALS	
Length (ft)	213	216		
Beam (ft)	66	68		
Displacement (tons)	881	999		
Year Built	1994	2006		
Capacity (passengers)	250	300		
Capacity (cars)	54	54		
Current Value	\$5,200,000	\$11,100,000	\$16,300,000	
Replacement Value	\$12,238,000	\$12,238,000	\$24,476,000	
FACILITIES	Year Built	Current Value	Replacement Value	
Steilacoom Landing	1998	\$3,938,500	\$4,960,400	
Steilacoom Waiting Facility	1986	\$710,800	\$1,321,600	
Anderson Island Landing	1983	\$2,848,200	\$3,968,300	
Anderson Island Waiting Facility	1987	\$550,000	\$1,044,000	
Anderson Island Park-N-Ride	2002	\$704,300	\$785,700	
Ketron Island Landing	1998	\$2,520,600	\$3,174,600	
Current Value			\$11,272,400	
Replacement Value			\$15,254,600	
System Current Value			\$27,572,400	
System Replacement Value			\$39,730,600	

While operation costs tend to have a relatively consistent growth over time, maintenance costs can fluctuate widely due to the periodic nature of boat and dock repair and scheduled refurbishment. The graph below depicts both the total Operation and Maintenance costs per year (O&M) as well as the obvious variability from year to year. The graph also includes the revenue sources utilized to cover these costs.

Information about the Motor Vehicle Fuel Tax (MVFT) Subsidy revenue source is discussed in the summary section of this report.



Fares and fare setting policies

The fares are for round-trips, and are collected at the Steilacoom Terminal on the mainland prior to boarding the ferry.

The round-trip walk-on passenger fare is currently \$4.70, year-round, with discounts for seniors, children and multi-trip tickets. The vehicle fares have peak (May 15-September 15) and non-peak (September 16-May 14) seasons, and range from \$10.20/\$8.50 for a motorcycle and rider to \$19.00/\$15.80 for a car and driver to \$210/\$175 for a large trailer truck. (See Appendix A for a detailed fare schedule.)

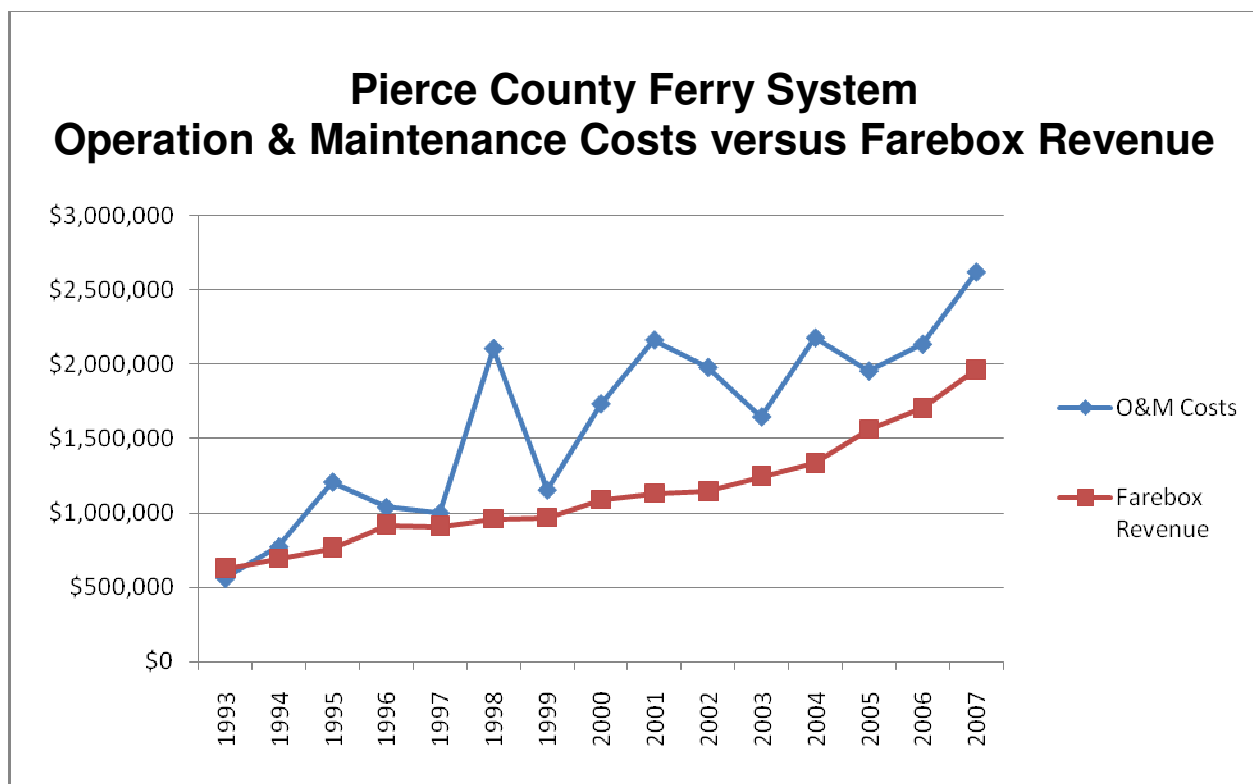
The Pierce County Ferry fares are reviewed on an annual basis, and are being increased towards the target of covering 80% of operation, maintenance, and certain

portions of its depreciation costs. Of particular note is the inclusion of depreciation in this recovery target. This calculation differs from the other counties which omit the depreciation component when calculating fare box recovery targets.

Adopted as a part of their Fourteen-Year Ferry Program, current farebox recovery goals for O&M costs are:

73% in 2008
74% in 2009
75% in 2010
76% in 2011
77% in 2012
78% in 2013
79% in 2014
80% in 2015 and beyond

Note: As described earlier in this report, the O&M costs depicted in this report are in a format consistent with the other three counties, as compiled by WSDOT. It is important to note that Pierce County includes a portion of depreciation expense in all of its own reports and summaries prepared for operational and financial planning. Therefore, the reader is advised that while farebox recovery information and calculations within this report include actual farebox revenues, it does not include any portion of depreciation as an expense. (Depreciation expense assigned to ferry operations currently includes 50% of boats, 100% of buildings, and 0% of docks - equaling \$795,969 for calendar year 2007, which is not included in the totals below in order to be consistent with the accounting methodology of the other three counties in this report.)



While the previous graph clearly identifies the counties actions to continually review and adjust fares, it also highlights the variability in O&M costs in any given year and the challenges faced in developing expenditure and revenue plans.

Future operation, maintenance, and capital investment issues and needs

As mentioned earlier Pierce County has adopted and applied land use “concurrency” criteria. The criteria is similar to establishing a roadway “Level of Service” to determine the adequacy of its ferry service. As traffic grows, steps are to be taken to accommodate the demand and maintain a defined service level. Among the options they would consider are:

- Increase frequency of sailings
- Lengthen the daily service hours
- Develop a “two-boat” schedule
- Expand/create transit and park & ride facilities to encourage more passenger-only use of the ferry
- Modify the Steilacoom Terminal to provide a second ferry slip

These options involve both increased operation and maintenance costs as well as future capital improvement expenditures.

Pierce County is in the process of drafting a 20-year transportation plan which will include an update to the 2003 Waterborne Transportation Study.

Skagit County Ferry System

Location and general operational history

The Skagit County ferry operation connects Guemes Island with Fidalgo Island at Anacortes. The county operates the route with one ferry.

The initial access to Guemes Island was provided by a private ferry system in the early 20th century. The first vehicle ferry to provide services across Guemes Channel carried six (6) cars, and for many years, the ferry system was a small private operation subsidized by the County.

The following table is a general chronology of the Skagit County ferry system:

YEAR	EVENT
c. 1910	Private service begins provided by a vessel capable of carrying 6 cars, financially supported by Skagit County
1958	Private service improved with purchase of M.V. Almar, having a capacity of 9 to 11 cars
	County purchases the M.V. Almar and all privately owned support facilities and begins full management and operation of the ferry service
1978	Planning completed for adjustments in the ferry service and acquisition of a new vessel
1979	M.V. Guemes placed into service

Historical use and user demographics

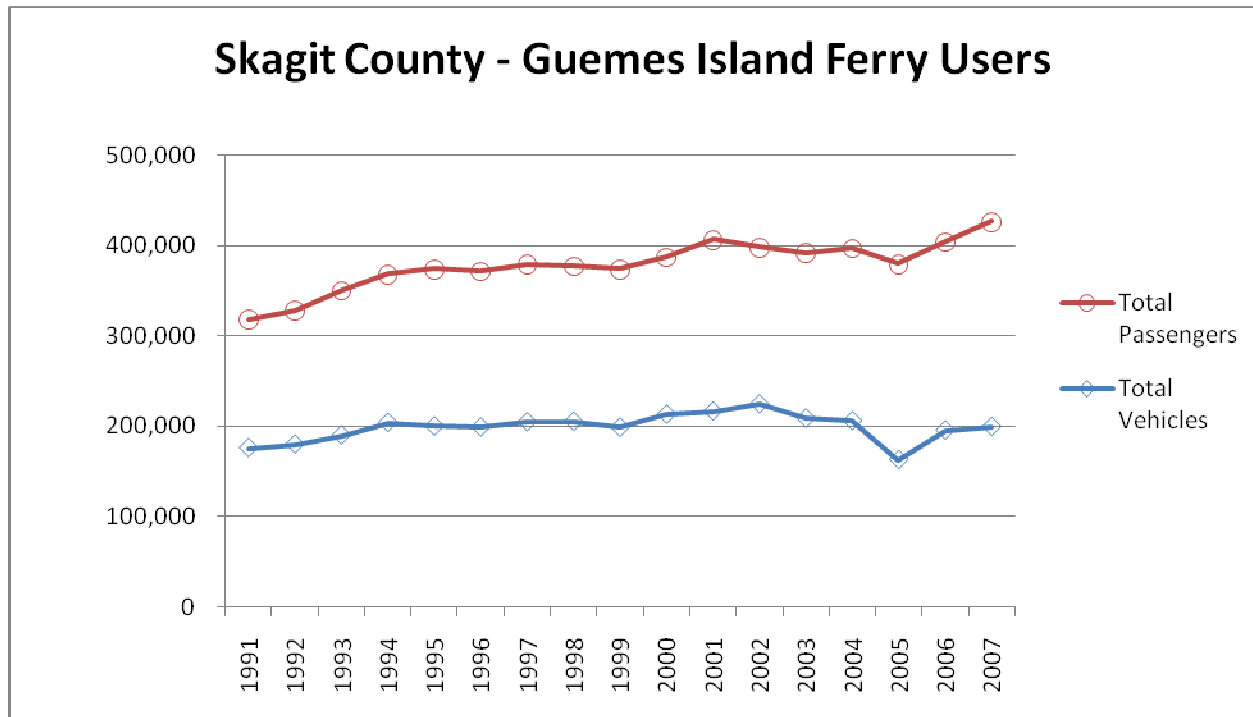
As of September, 2006, there were 741 single-family residences and an estimated full-time population of 597. The population figure does not take into account the true population levels affecting ferry service demands. This is due to the large number of seasonal residents on the Island, and, therefore, very difficult to calculate the true residential population being served.

The 2006 assessed value of properties and structures on Guemes Island was \$219,395,026. This represents a ten-fold increase over the 1980 tax year, which was \$19,967,213.

The demand for ferry service over the years can also be represented in the timing of growth in primary single-family residences on Guemes Island by decade:

1951-1960	+19.7%
1961-1970	+4.4%
1971-1980	+4.5%
1981-1990	+3.1%
1991-2000	+2.9%

The following graph depicts the changes in vehicle and passenger usage since 1991.



The level of service (LOS) for the Guemes Island Ferry system is closely tied to its vehicle carrying capacity because vehicle traffic has a greater impact on the ferry system than walk-on passenger traffic. The Skagit County Comprehensive Plan clearly states that it is desirable to reduce vehicle demand on the M/V Guemes. While there is no guaranteed method of getting people out of their cars, one method of effectively reducing the demand for vehicle capacity is to encourage ferry users to be walk-on or vehicle passengers rather than vehicle drivers. In order to accomplish this, there must be convenient and adequate parking facilities in place near the ferry terminals.

It should be noted that individual expectations for ferry service differ and are not being measured by Skagit County as a part of their LOS considerations. The County offers this example:

A full-time Guemes Island resident may expect to have to wait for a ferry once in a while, or even more often during busier times of the year, and find this to be acceptable. A seasonal resident or tourist may not expect to have to wait in line to drive their vehicle on a ferry, however, and may have a very different opinion regarding the level of service for the ferry.

Current system description and operating costs

The Skagit County ferry system consists of one ferry boat, two terminals, and various buildings, parking areas, and queuing lanes. The ferry requires a crew of three to operate, with one additional staff member performing Purser duties at Anacortes, all of which are county employees.

The run between Guemes Island and Anacortes is about 0.7 mile, and the crossing time is about five minutes. The combination of ticketing, loading/unloading, and sailing time takes approximately 30 minutes for a complete round-trip. Service is provided weekdays from 6:30 A.M. to 10:00 P.M., with extra sailings on Friday and Saturday evenings until 12:00 Midnight. Sunday service is generally hourly from 7:00 A.M. to 10:00 P.M. Extra runs in addition to the published schedule are occasionally made if vehicles are left on the dock due to boat capacity.

Ferry: The M.V. Guemes was constructed in 1979, and has a capacity of 22 passenger vehicles and 102 passengers. The boat has a single deck with a raised pilot house on one side. The passenger cabin has seats for about 20 passengers under the pilot house. It is powered by two diesel engines mounted on opposite corners of the deck with outdrives mounted below each unit.

Anacortes Terminal: The Anacortes Terminal is comprised of a dock, transfer span, ferry slip, waiting room/office, a queuing line extending onto I Street in Anacortes, and two paved parking lots south and east of the ferry dock. Design is nearing completion on a new waiting room/office building on the site, but construction funds have not yet been secured. The Anacortes Terminal is served by Skagit Transit (SKAT) route 410.

Anacortes Terminal - ferry slip



Anacortes terminal - looking northerly toward Guemes Island



Guemes Island Terminal: The Guemes Island Terminal is comprised of a dock, transfer span, ferry slip, small waiting room, gravel parking area, and a queuing line on Guemes Island Road.

Guemes Island Terminal

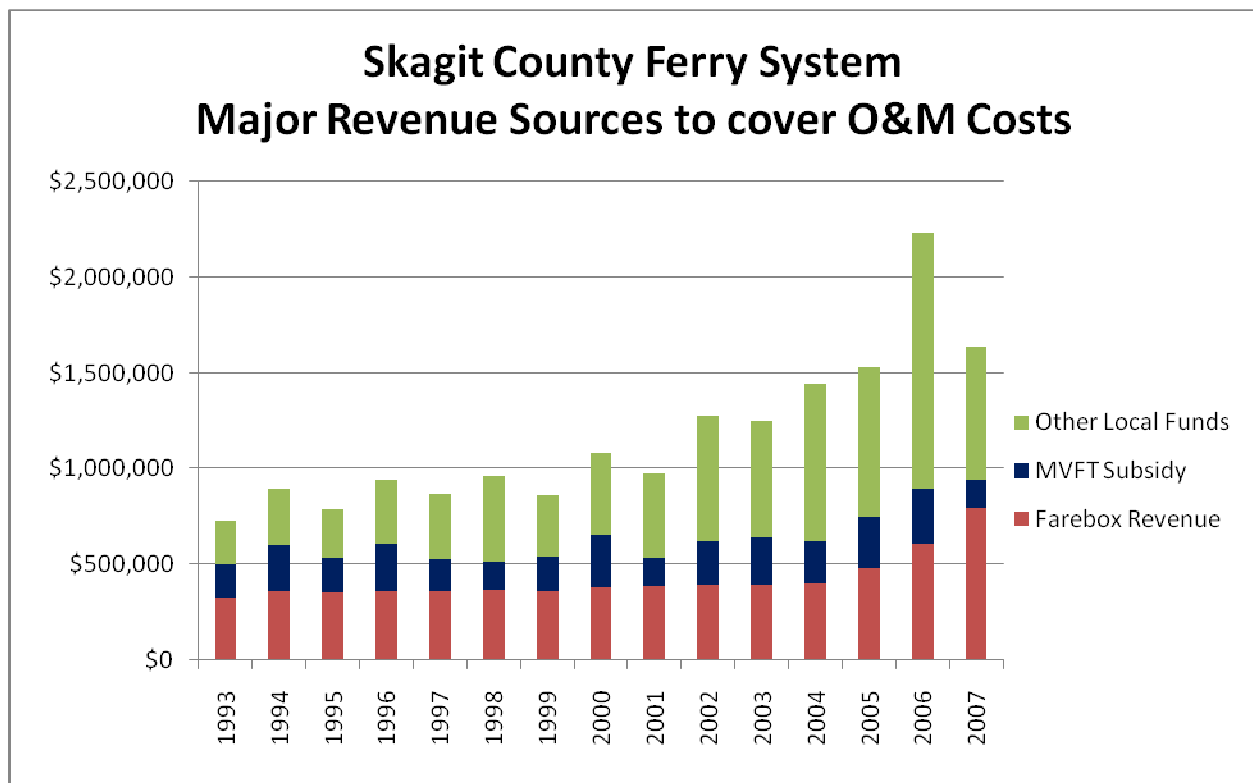


Following is a table showing the current system inventory:

Skagit County - 2008 System Current and Replacement Values						
VESSEL		M/V Guemes	TOTALS			
Length (ft)		124				
Beam (ft)		46				
Displacement (tons)		298				
Year Built		1979				
Capacity (passengers)		99				
Capacity (cars)		22				
Current Value		\$2,050,000			\$2,050,000	
Replacement Value		\$4,275,042			\$4,275,042	
FACILITIES	Year Built	Current Value	Replacement Value			
Anacortes Dock		\$910,000	\$1,380,779			
Anacortes Transfer Span-Machinery		\$1,417,000	\$2,163,348			
Anacortes Dolphins-Wingwalls		\$520,000	\$671,277			
Anacortes Buildings		\$158,000	\$306,339			
Anacortes Parking Lots		\$1,024,467	\$1,617,667			
Guemes Dock		\$337,000	\$516,547			
Guemes Transfer Span-Machinery		\$1,417,000	\$2,163,348			
Guemes Dolphins-Wingwalls		\$270,000	\$402,169			
Guemes Buildings		\$8,000	\$16,603			
Guemes Parking Lots		\$175,100	\$364,275			
Current Value			\$6,236,567			
Replacement Value			\$9,602,352			
System Current Value			\$8,286,567			
System Replacement Value			\$13,877,394			

As noted under the Coast Guard vessel inspection requirements, the following O&M cost graph clearly depicts the cost differential between in-water and dry-dock annual inspections. The years when the boat goes to dry-dock also creates the most significant opportunity to perform major repairs to both vessel and docks, with those years with dry-dock work having higher average costs.

The graph also highlights the source of revenue utilized to cover O&M costs. Information about the Motor Vehicle Fuel Tax (MVFT) Subsidy revenue source is discussed in the summary section of this report.



Fares and fare setting policies

The current fares are collected at the Anacortes terminal for roundtrips prior to boarding. Fares range from \$4.00 for a motorcycle and rider to \$7.00 for a car and driver to \$69.00 for a large trailer truck. The fare for passengers is \$2.00. Reduced fares are offered to children and those with disabilities. Multi-trip tickets are available for motorcycles, passenger cars and pickups, and for passengers. (See Appendix A for a detailed fare schedule.)

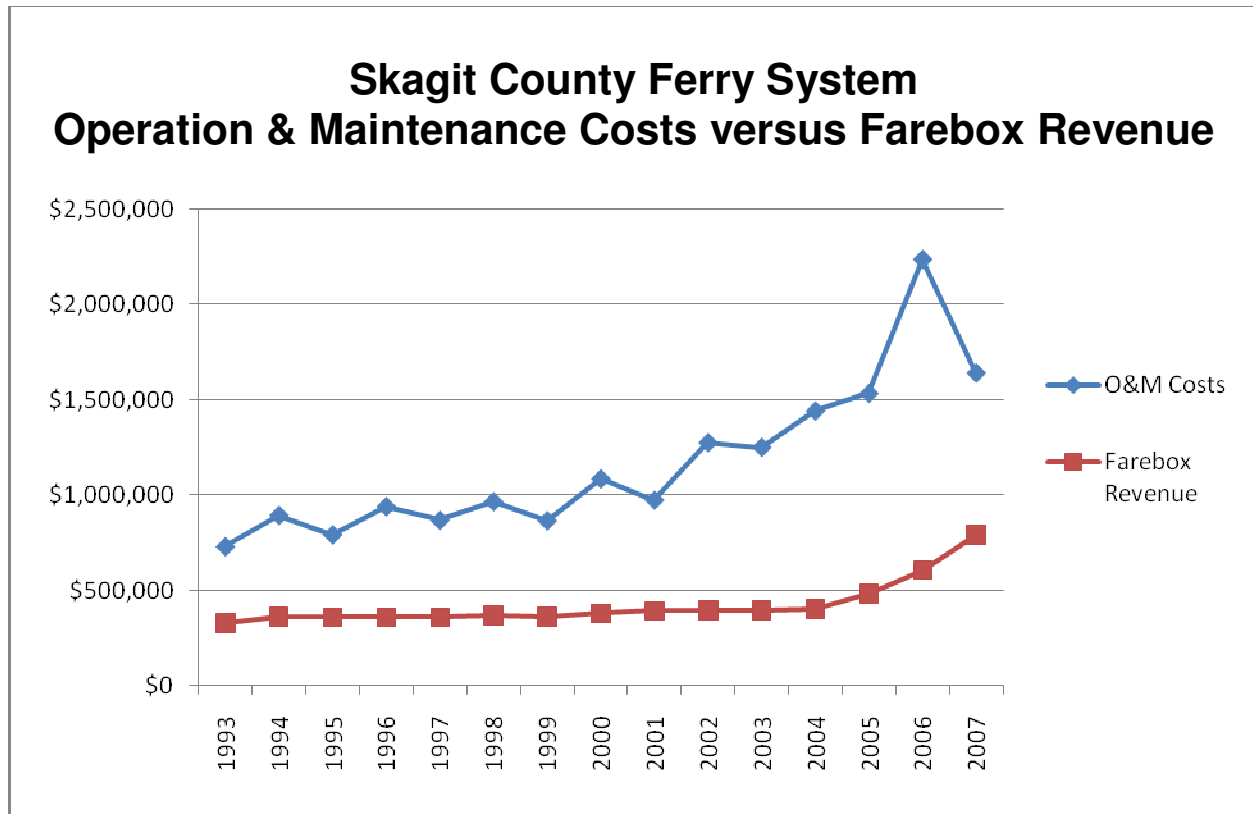
The ferry fares are reviewed periodically, and are established by County Resolution approved by the County Commissioners. The current fare box recovery goal is 65% of the following:

Five-year average of total ferry O&M costs

LESS the five-year average of state Motor Vehicle Fuel Tax general distribution receipts attributable to the county's ferry system, and

LESS the five-year average of state Motor Vehicle Fuel Tax operating deficit subsidy receipts

The following graph further highlights the variability in O&M in any given year. It also highlights Skagit County's efforts in recent years to address rapid increases in operating costs through, at least in part, changes in fare structures.



Future operation, maintenance, and capital investment issues and needs

As noted earlier, the operation of the ferry is closely aligned to the Level of Service target established by policy in the Skagit County "Comprehensive Plan - Transportation Element". In recent years, the daily ferry schedule has been lengthened to accommodate demand for additional evening sailings. As vehicular traffic demand continues to increase, other options will be evaluated.

The current 14-Year Ferry Plan identifies several major operation and maintenance items, as well as capital improvement expenditures expected to be needed in the years to come. The most significant component of the current capital improvement plan is the reconstruction of the Anacortes Terminal office/waiting room to better accommodate the needs of the passengers and crew members.

In order to create more operating space on the car deck, the County is also planning to relocate the two diesel engines from the corners of the car deck (with outdrives mounted below each unit) to below-deck within the next few years.

Wahkiakum County Ferry System

Location and general operational history

The Wahkiakum County ferry operation connects Puget Island south of Cathlamet, Washington, with Westport, Oregon, in Clatsop County, near US 30. The county operates the route with one ferry.

Wahkiakum County has operated a ferry service since the 1920's. The current ferry vessel was placed in service in 1962. Unlike the other three county ferry systems serving islands in Puget Sound, the Wahkiakum ferry is an interstate crossing of the Columbia River. The alternate routes crossing the river are about 43 miles downstream at the Astoria-Megler Bridge on US 101 at the mouth of the Columbia River, and 26 miles upstream at the Lewis & Clark Bridge on SR 433.

Clatsop County owns and maintains the terminal on the south side of the river, even though it does not share in ferry revenues. Clatsop County completed a dredging project and ramp repair at the Westport terminal in 2005. A recent effort by Wahkiakum and Clatsop counties to find a formal written agreement regarding operation of the ferry service was not successful.

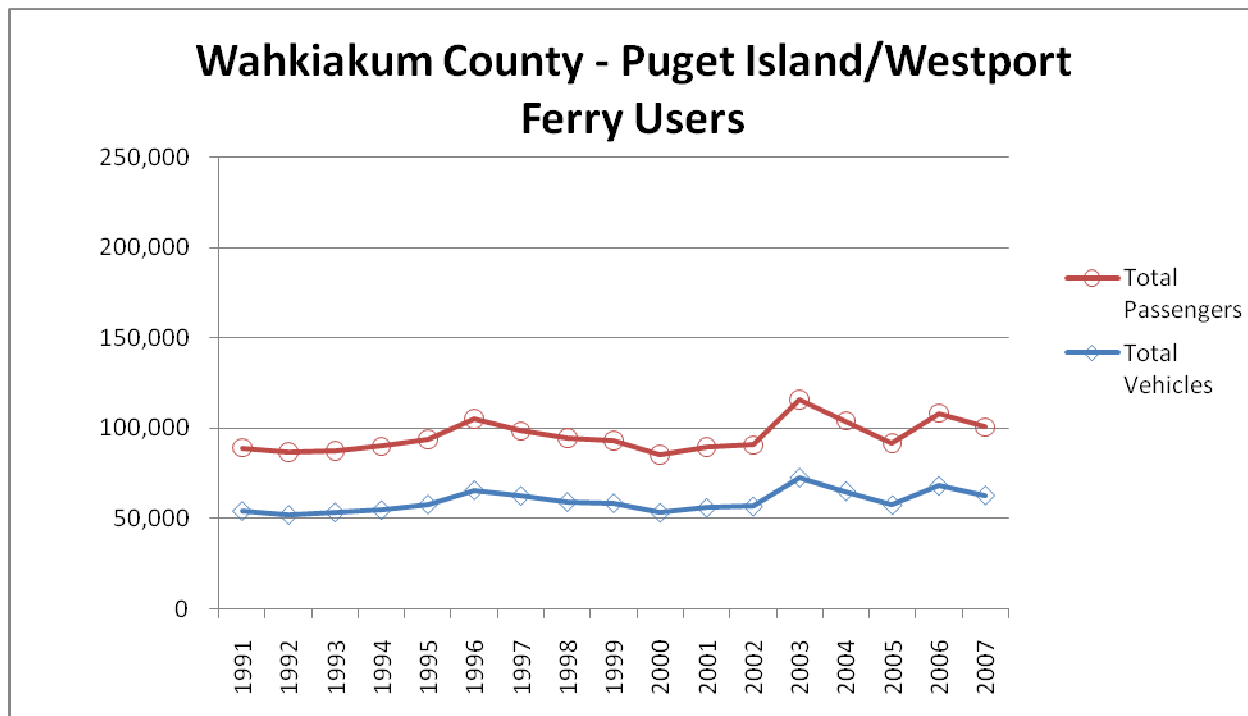
Wahkiakum County currently has a \$500,000 grant from the County Road Administration Board's County Ferry Capital Improvement Program to expand the Puget Island landing to accommodate geometric requirements of legal highway loads. The County also has federal highway project funds to assist in the landing expansion and federal bridge replacement funds to provide for a new ramp.

Historical use and user demographics

Users of the Wahkiakum ferry are a combination of local residents (some of whom are Washington residents who work in a major mill on the Oregon side), tourists, and interstate commercial vehicles. When road closures on SR 4 on the Washington side or US 30 on the Oregon side occur, the Wahkiakum ferry becomes heavily used and provides additional runs to ease traffic congestion and reduce the length of the vehicle queues that would occur otherwise. During certain winter driving conditions the ferry provides a safer alternate for many drivers than the long route to bridge crossings.

The following graph depicts the changes in vehicle and passenger usage since 1991. There has been a steady increase in both the demand for service and overall system usage. At those times when the boat is full and cannot accommodate the additional vehicles left at the dock on a particular scheduled sailing, a portion of those drivers will chose to "drive-around" rather than wait one hour for the next sailing. Highway closures on either the Washington or Oregon sides of the river periodically have an impact on the volume of use, including significant wait times even though the boat reverts to a "continuous sailing" operation. With the proposed Puget Island loading ramp

realignment project, there is an expectation that both truck/freight and larger recreational vehicle usage will increase.



Current system description and operating costs

The Wahkiakum ferry system consists of one ferry, two terminals, and limited parking on the Puget Island side. The ferry is operated by a two-person crew who are Wahkiakum County employees. Ticketing is performed on the deck of the boat as the vessel begins its voyage.

The run between Puget Island and Westport, Oregon, is about 1.5 miles, and the crossing time is about ten minutes. The combination of loading/unloading and sailing time takes approximately 30 minutes for a complete round-trip. Service is provided hourly from 5:00 A.M. to 10:15 P.M. daily. Temporary closures of SR 4 on the Washington side or US 30 on the Oregon side have resulted in increased demand for extended service hours on the ferry. Periodic closures of either the Lewis & Clark Bridge between Longview, WA, and Ranier, OR, or the Astoria - Megler Bridge also impact the demand for service.

Ferry: The M.V. Wahkiakum was constructed in 1962, and has a capacity of 12 passenger vehicles and 76 passengers. The boat has a single deck with a raised pilot house on one side and a small passenger cabin on the other. The passenger cabin has seats for about eight passengers. It is powered by two diesel engines mounted below deck, and is a single-direction ferry.

Puget Island Terminal: The Puget Island Terminal is comprised of a dock, transfer span, and ferry slip. A project to widen the landing platform and lengthen the transfer bridge was funded, and may be constructed in 2009 if environmental permitting and associated cost increase challenges can be overcome. This will improve a 90-degree turn on the approach to the ferry and reduce the grade on the transfer span. These modifications will allow maximum legal length and load highway vehicles access to the ferry.

Westport, Oregon, Terminal: The Westport Terminal is comprised of a dock, transfer span, and ferry slip. It is owned and maintained by Clatsop County, Oregon, and is located about ½ mile up the Westport Slough from the Columbia River. The most recent improvement to the terminal was the dredging of the landing area at the mouth of Plympton Creek in 2005.

Puget Island Terminal



Westport Terminal (Clatsop County, OR)



Following is a table showing the current system inventory:

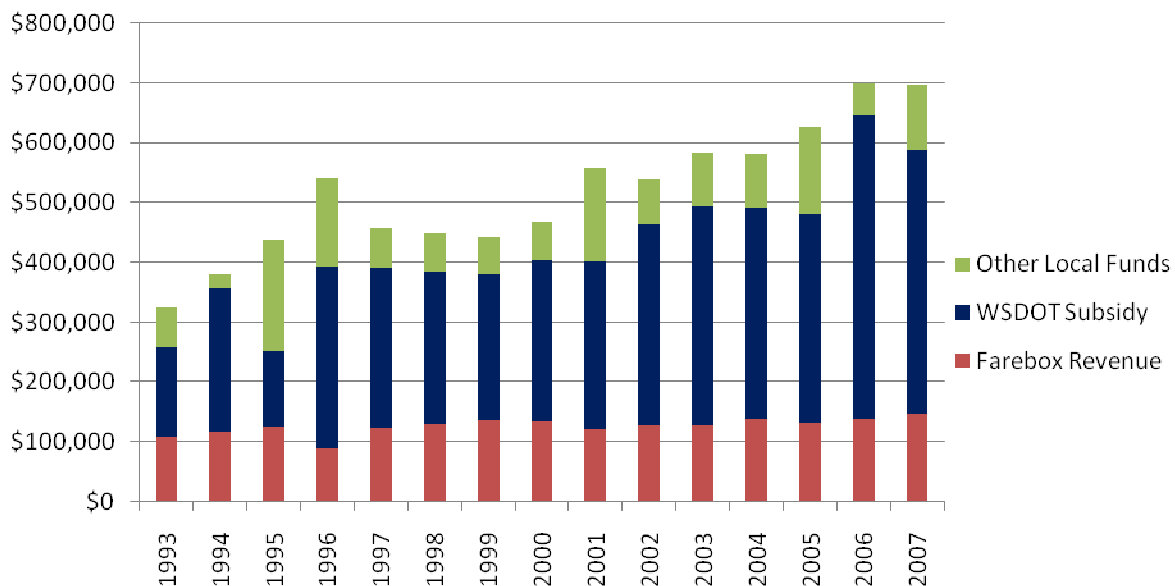
Wahkiakum County - 2008 System Current and Replacement Values				
VESSELS		M/V Wahkiakum	TOTALS	
Length (ft)		75		
Beam (ft)		38		
Displacement (tons)		88		
Year Built		1962		
Capacity (passengers)		76		
Capacity (cars)		12		
Current Value		\$275,000	\$275,000	
Replacement Value		\$3,500,000*	\$3,500,000*	
FACILITIES		Year Built	Current Value	Replacement Value
Puget Island Landing		1975	\$75,000	\$2,090,000
Westport, OR, Landing		Not a Wahkiakum County Facility		
Current Value			\$75,000	
Replacement Value			\$2,090,000	
System Current Value			\$350,000	
System Replacement Value			\$5,590,000	

* The county's current plan for replacing the vessel includes an upgrade in capacity, at an estimated cost of \$5,500,000.

Other than inflationary factors, those years of higher operating costs generally are equivalent to years of extended highway closures and the need for expanded ferry operations.

Due to the fact that the Wahkiakum ferry satisfies a state transportation interest, an operating subsidy comes from WSDOT budgetary sources. Additional Information on this topic is discussed in the summary section of this report.

Wahkiakum County Ferry System Major Revenue Sources to cover O&M Costs



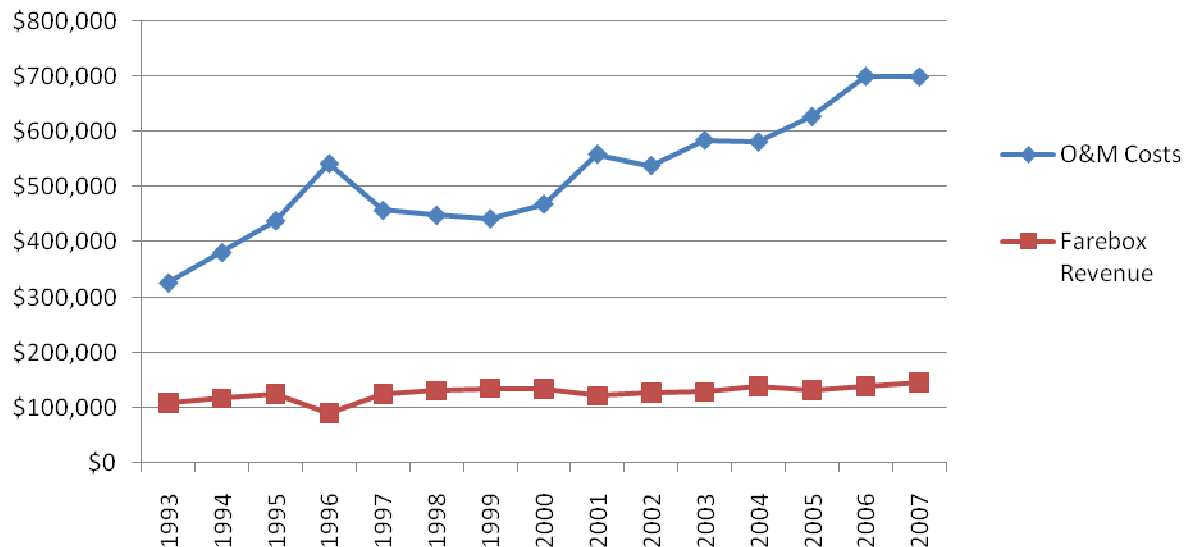
Fares and fare setting policies

The current fares have been in place since January 1, 1998, and are collected in both directions on-board the ferry while en-route. Typical one-way fares are \$0.50 for passengers, \$2.00 for motorcycle and rider, \$3.00 for passenger cars/pickup trucks and driver, and \$5.00 to \$180.00 for larger vehicles and driver. (See Appendix A for a detailed fare schedule.)

The county has no current plans to revise the fare schedule. The subsidy from WSDOT covers 80% of the normal operation and maintenance deficit, and 100% of the operating costs during emergency closures of SR 4 along the north side of the Columbia River.

While fares are established by the County Commissioners, rate setting policy is actually described in statute as “the fares established by the county shall be comparable to those used for similar runs on the state ferry system.” (RCW 47.56.720 (3)) It is arguable that the only “similar” ferry service in the state system is the Keller across Lake Roosevelt, which is a free service.

Wahkiakum County Ferry System Operations & Maintenance Costs versus Farebox Revenue



Future operation, maintenance, and capital investment issues and needs

A project scheduled to be completed in 2009 will realign the approach span to accommodate highway legal loads and truck-trailer lengths.

The County is aware that the ferry will need to be replaced sometime in the next 10 to 15 years. The County applied for and received a Ferry Boat Discretionary Grant from the federal highway administration. The initial amount of the grant is approximately \$170,000, which would fund a design report and take design of a new vessel to an approximately 70% design level. The County hopes to be successful in obtaining future installments from the Ferry Boat Discretionary Program, and if so, may approach the County Road Administration Board for assistance with any necessary matching fund requirements. The current grant is 100% federally funded. The 70% design level of a replacement ferry terminal at Puget Island was achieved in 2007, however since that time, NOAA Fisheries requirements have kept the project construction schedule uncertain.

The Westport Channel of the Columbia River has not been dredged recently. Not only is the timing of dredging important to general ship traffic utilizing this channel, the ability for the Wahkiakum Ferry to operate is also impacted. The County is working with the Portland District of the Army Corps of Engineers to have the dredging work accomplished.

Whatcom County Ferry System

Location and general operational history

The Whatcom County ferry operation connects Lummi Island with the mainland at Gooseberry Point, west of Bellingham. The service has been operated by Whatcom County since its start in 1926. The county operates the route with one ferry.

An \$8.1 million grant to construct a new ferry was secured in 2007 from the County Road Administration Board's County Ferry Capital Improvement Program, with grant payments to be spread over 20 years. Due to public concerns over future costs and other county financial issues, the grant was withdrawn by the County in April, 2008.

The following table is a general chronology of the Whatcom County ferry operations:

YEAR	EVENT
1926	Lummi Shore Road from Bellingham was completed and a ferry, the Central, owned by Whatcom County and large enough to hold six small vehicles started making scheduled runs between Lummi Island and Gooseberry Point.
1929	The slightly larger Chief Kwina replaces the Central.
1950	Gooseberry Point terminal built.
1962	The M/V Whatcom Chief begins service.
1978	Lummi Island terminal is relocated.
1982	New lift mechanism installed on transfer span at Lummi Island. Gooseberry Point pier refurbished.
1987	Gooseberry Point Transfer span, wing walls and dolphins replaced.
1997	Major refurbishment of Gooseberry point landing accomplished.
2002	20-Year Plan Phase 1 Process and report completed.
2005	Status Report and recommendations for ferry system completed.
2006	Lummi Island Dock preservation project and major corrosion repair to vessel hull. Design for a 35-car replacement vessel and design package for urgent electrical and structural repairs to terminals completed.

Historical use and user demographics

Lummi Island experienced slow resident population growth from WWII up to 1970. By the advent of the 1970s most of the resorts on the island closed but the number of seasonal homes continued to grow. During the 1980s and 1990s the development trend shifted to more permanent residents with many seasonal housing units converted to year round occupancy both by retirees and working age residents who commuted to work in Ferndale and Bellingham. The increase in permanent residents created some ferry service capacity challenges.

Through the land use planning process, Whatcom County has been able to compile the following population pertaining to Lummi Island:

Year	Resident Population	% of total	Seasonal Population	% of total	Total Peak Season Population
1966	392	53.9%	335	46.1%	727
1978	506	52.5%	458	47.5%	964
1980	538	53.9%	460	46.1%	998
1990	620	53.0%	550	47.0%	1170
2000	822	55.3%	665	44.7%	1487

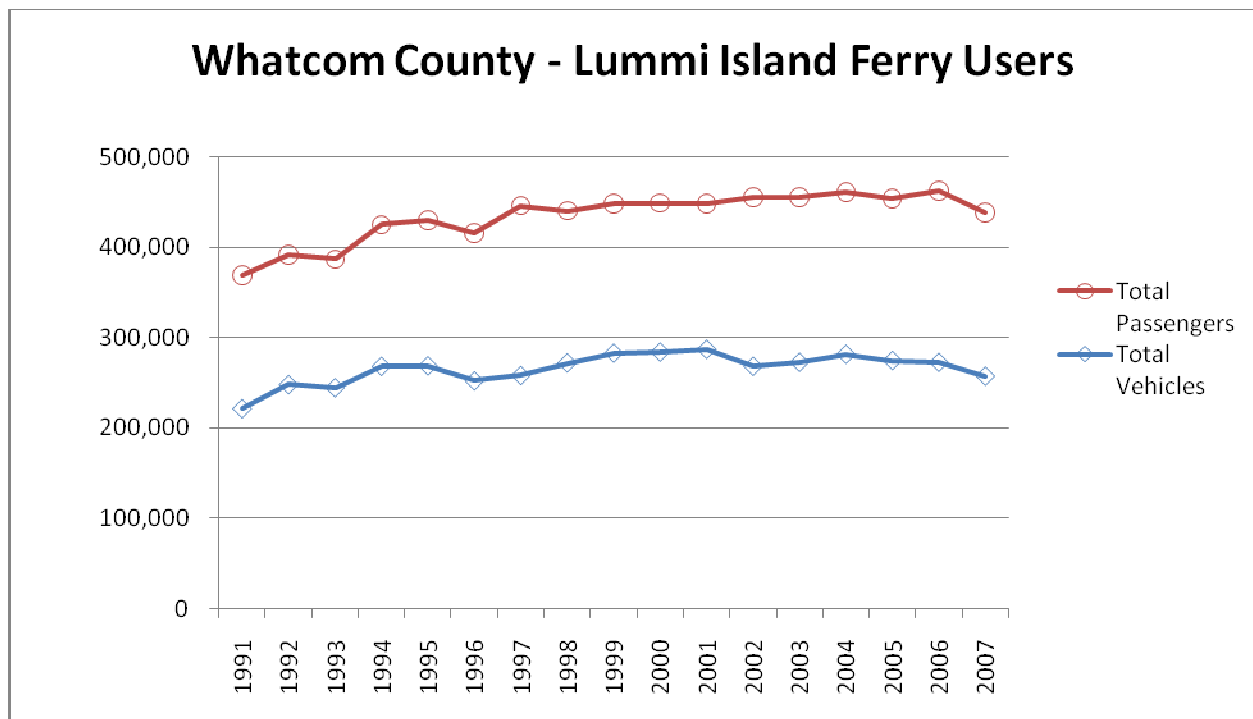
Through analysis of ticket receipts by Whatcom County, the following distribution of ferry use over the calendar year:

Monthly Distribution of Use during 2007	Passenger Cars	Vehicles larger than passenger cars	Non-driver passengers
Jan	7.74%	7.10%	4.88%
Feb	7.80%	8.67%	4.94%
March	8.46%	7.36%	6.09%
April	8.39%	7.31%	6.98%
May	9.40%	10.24%	7.39%
June	9.38%	9.96%	9.14%
July	10.33%	10.19%	11.67%
Aug	10.93%	10.68%	12.98%
Sept (*)	2.68%	3.82%	13.11%
Oct	8.76%	10.64%	8.35%
Nov	8.14%	7.26%	7.17%
Dec	8.02%	6.77%	7.30%

(*) September is the normal month for the ferry to be inspected and serviced in drydock, with a passenger only vessel utilized during this period of time.

The following graph depicts the changes in vehicle and passenger usage since 1991. This graph reinforces the strong growth in ferry usage in the early 1990's. It also shows the softening and reversing of these trends due to the combination of fare increases and ferry system capacity issues.

Analysis of ferry system services relative to vessel capacity was completed by Whatcom County in 2005. While it was recognized that vehicle use of the boat was the limiting factor, the nature of user demand creates challenges for attempting to shift demand from car-deck space to walk-on or vehicle passengers.



Current system description and operating costs

The Whatcom ferry system consists of one ferry and two terminals, and various buildings, parking areas, and queuing lanes. The ferry is operated by a three-person crew who are Whatcom County employees. Ticketing is performed on the deck of the boat as the vessel begins its voyage from Gooseberry Point.

The run between Gooseberry Point and Lummi Island is about 0.9 mile, and the crossing time is about five minutes. The combination of loading/unloading and sailing time takes between 20 and 25 minutes for a complete round-trip, subject to the mix of vehicles and walk-on passengers. Service is provided weekdays from 5:40 A.M. to 12:10 A.M. with 20 to 60 minute headways. Saturday service is provided from 7:00 A.M. to 12:30 A.M. on an hourly basis. Sunday service is hourly from 7:00 A.M. to 12:10 A.M.

Ferry: The M.V. Whatcom Chief was constructed in 1962, and has a capacity of 20 passenger vehicles and 103 passengers. The boat has a single deck with a raised pilot house over the passenger cabin in the center of the boat. It is powered by two diesel engines mounted below the deck.

Gooseberry Point Terminal: The Gooseberry Point Terminal on the mainland is comprised of a dock, transfer span, ferry slip, stand-by generator, and a leased parking lot for about 80 cars.

Lummi Island Terminal: The Lummi Island Terminal is comprised of a dock, transfer span, ferry slip, parking areas, and a building housing a stand-by generator, restrooms, office, and passenger waiting room.

Gooseberry Point Terminal (center structure)



Lummi Island Terminal

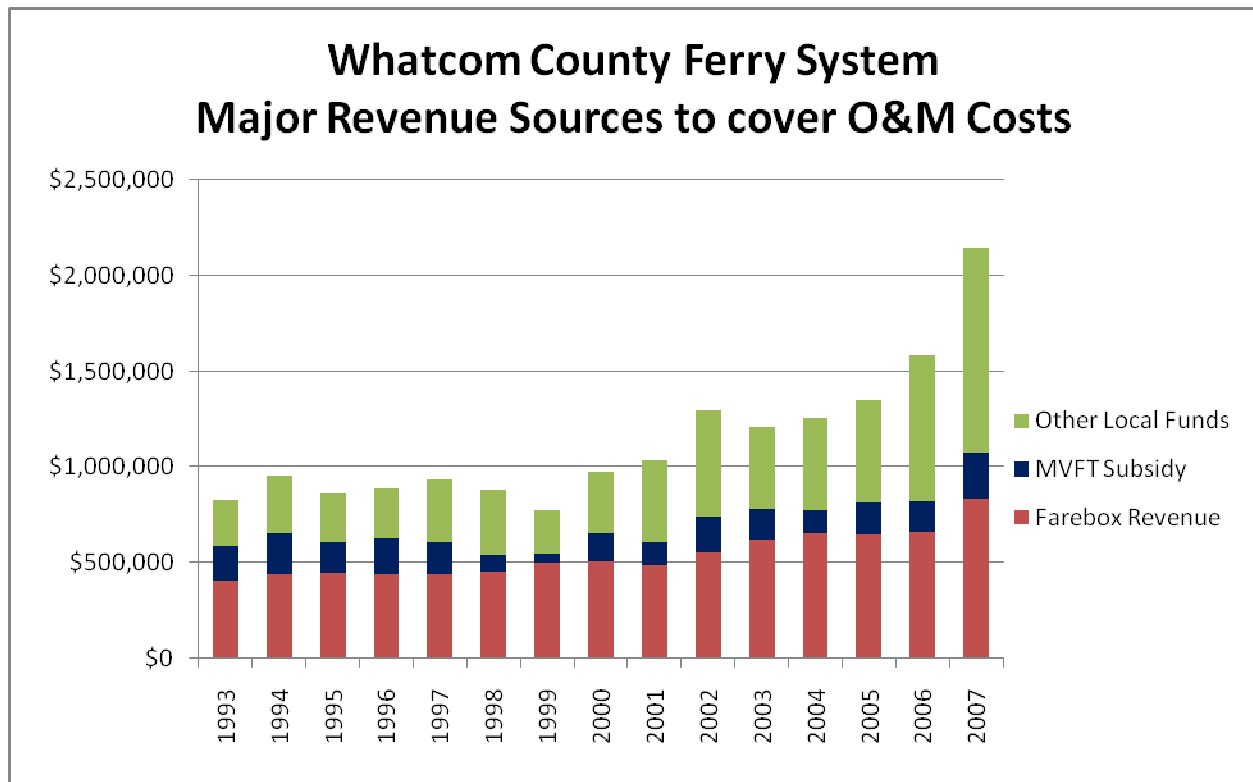


Following is a table showing the current system inventory:

Whatcom County - 2008 System Current and Replacement Values						
VESSELS		M/V Whatcom Chief	TOTALS			
Length (ft)		100				
Beam (ft)		44				
Displacement (tons)		192				
Year Built		1962				
Capacity (passengers)		100				
Capacity (cars)		20				
Current Value		\$860,000			\$860,000	
Replacement Value		\$9,900,000			\$9,900,000	
FACILITIES	Year Built	Current Value	Replacement Value			
Gooseberry Pt Dock	1997	\$87,000	\$590,000			
Gooseberry Pt Transfer Span	1987	\$445,000	\$2,200,000			
Gooseberry Pt Dolphins-Wingwalls	1997	\$640,000	\$1,750,000			
Gooseberry Pt Parking Lots						
Lummi Island Dock	1978	\$23,000	\$360,000			
Lummi Island Transfer Span	1982	\$195,000	\$1,990,000			
Lummi Island Dolphins-Wingwalls	1978	\$485,000	\$1,750,000			
Lummi Island Buildings	1978	\$10,000	\$25,000			
Lummi Island Parking Lots	2007	\$1,303,000	\$1,303,000			
Current Value			\$3,188,000			
Replacement Value			\$9,968,000			
System Current Value			\$4,048,000			
System Replacement Value			\$19,868,000			

As stated relative to the other county systems, while operation costs tend to have a relatively consistent growth over time, maintenance costs can fluctuate widely due to the periodic nature of boat and dock repair and scheduled refurbishment. The graph on the next page depicts the total Operation and Maintenance costs per year (O&M) as well as the obvious variability from year to year. The graph also includes the revenue sources utilized to cover these costs.

Information about the Motor Vehicle Fuel Tax (MVFT) Subsidy revenue source is discussed in the summary section of this report.



Fares and fare setting policies

The current fare schedule was put into effect June 1, 2008. Roundtrip fares are collected on outbound sailings from the Gooseberry Point Terminal on the mainland. Fares are higher during the June 1-August 31 peak period. The passenger fare is \$3.00/\$4.00, with discounts offered for multi-ride tickets. School children and Lummi tribal members are carried at no charge. Vehicle fares range from \$8.00/\$10.00 for a car/pickup and driver to \$190.00 for a large trailer truck. Discounts are available for multi-ride car/pickup trips. (See Appendix A for a detailed fare schedule.)

In 2006, fare box collections covered only 34% of operation and maintenance costs. Fare increases were implemented March 1, 2007 and again in June 1, 2008.

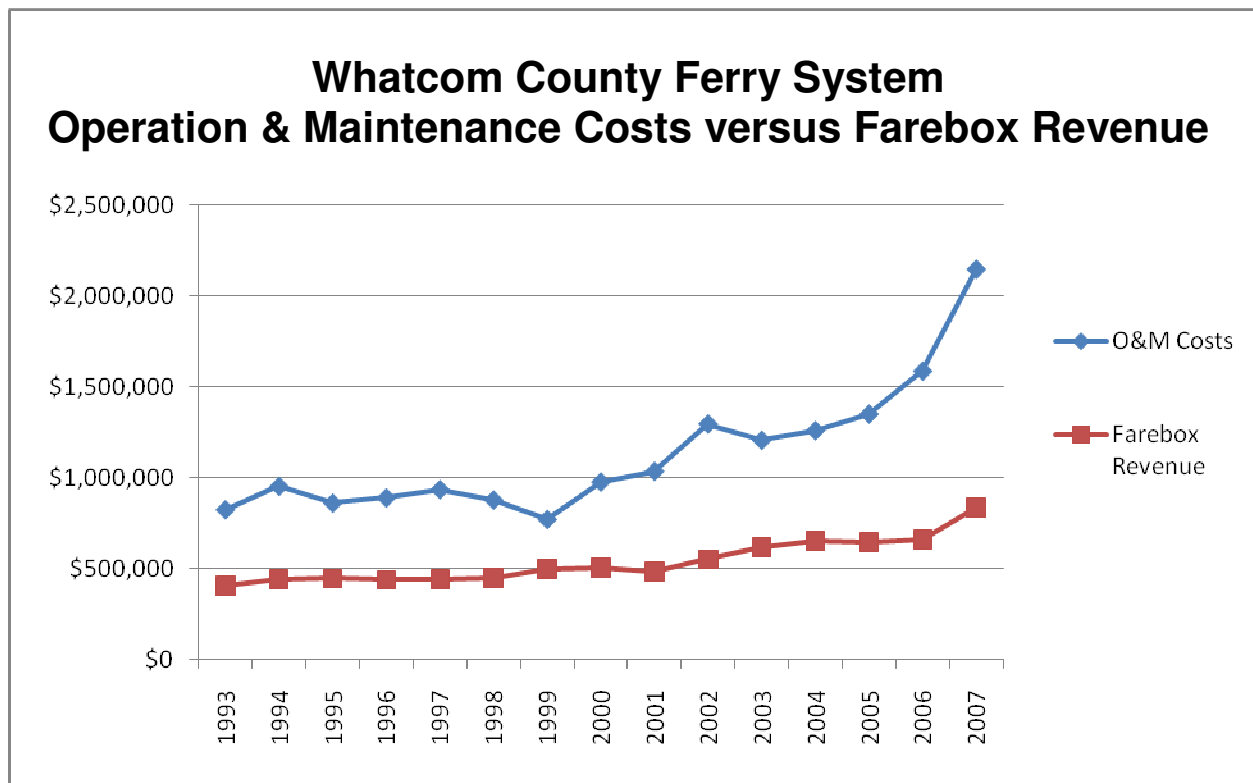
The current goal for fare box receipts is defined in Whatcom County Code, which reads:

WCC 10.34.030 Use of ferry user fee revenues.

Beginning January 1, 2006, a 55 percent fare box recovery rate shall be applied and evaluated continuously from that time forward. An annual review of ferry system services, actual and projected operating costs, and actual and projected revenue from ferry user fees shall occur in order to verify the 55 percent fare box recovery rate is being achieved.

In any given year the actual fare box recovery rate exceeds 55 percent, the excess revenue shall be retained in the ferry system fund and applied only to future operating costs.

In any given year the actual fare box recovery rate is below 55 percent, the difference shall be recovered in a future ferry user fee increase unless there is adequate excess ferry user fee revenue remaining in the ferry system fund collected during prior years.



Future operation, maintenance, and capital investment issues and needs

Current fares and operating schedules were instituted in 2007 and 2008, with an expectation that additional increases will be needed in the future.

The M.V. Whatcom Chief is dry docked for inspection and maintenance on an annual schedule, even though U.S. Coast Guard regulations only require such action out-of-water every other year. With the age of the vessel, this planned annual activity is intended to continue, especially due to the extent of docking facility improvements planned.

While a design for a new 35-car replacement ferry was completed, during Spring, 2008, the County suspended the planned acquisition of a new vessel. Planned improvements to the wing walls and dolphins at both terminals remain scheduled for completion by 2010.

With Gooseberry Point being on the Lummi Indian Reservation, the docking facilities require a tideland lease with the Lummi Nation. In cooperation with the tribe, Whatcom County is completing an analysis of alternate dock locations as a part of the tideland lease renewal process.

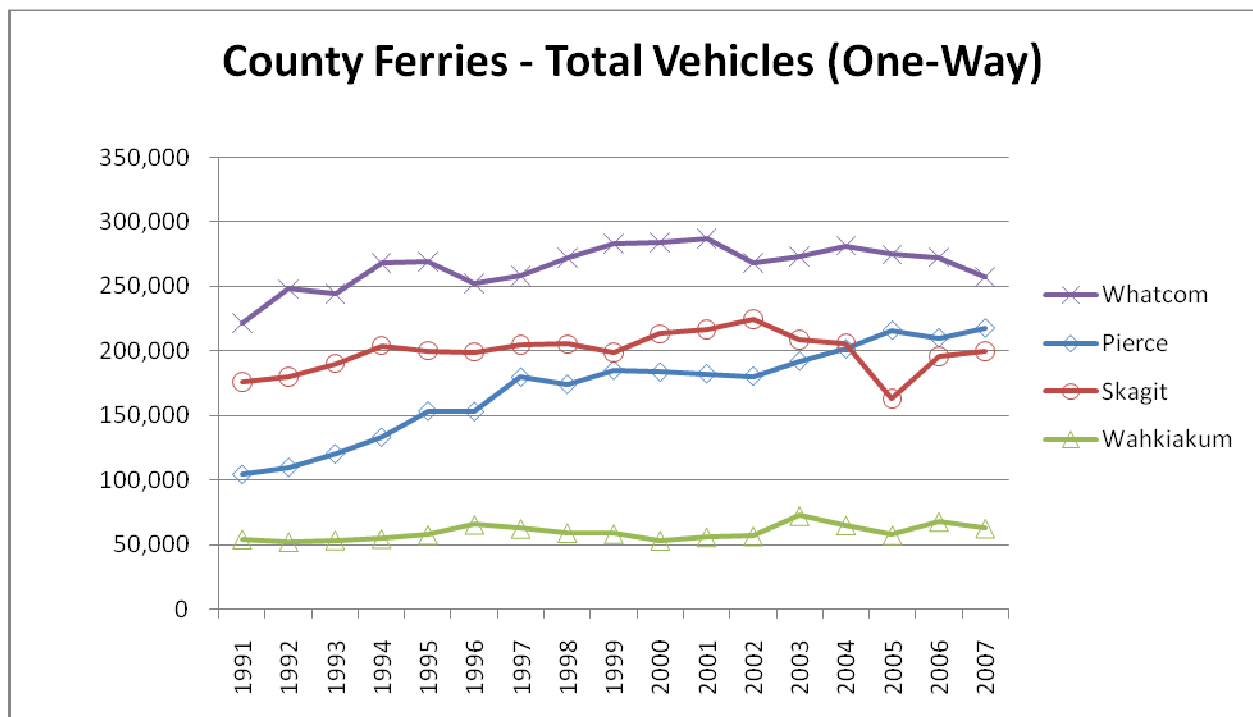
County Ferries - Operational and Financial Summary

County Ferry System Use

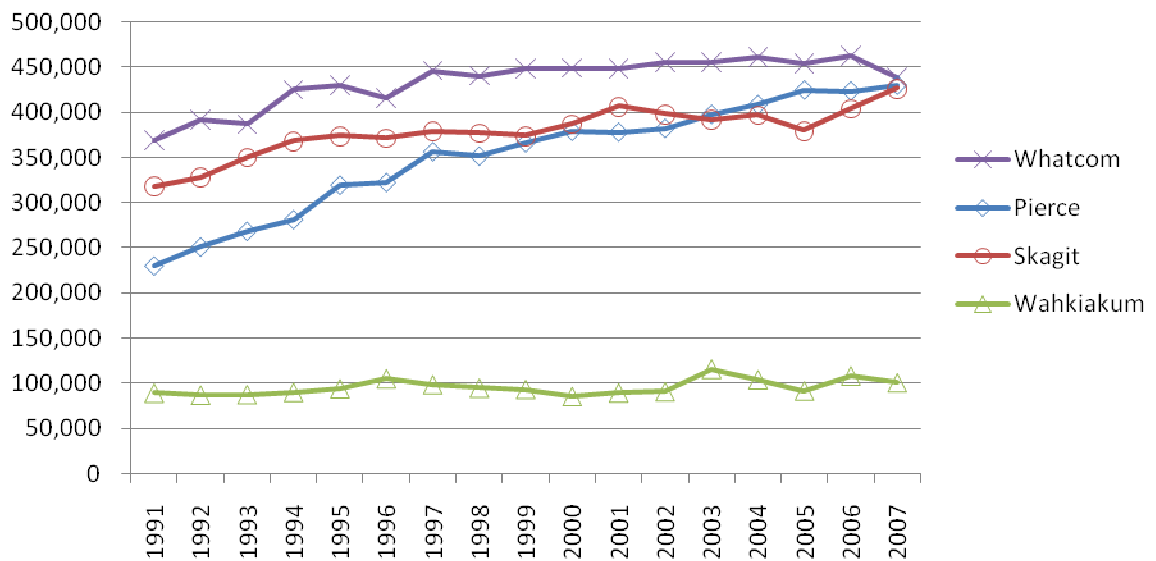
With the current population and demographic similarities between the islands served by Pierce, Skagit, and Whatcom counties, it is not surprising that both the vehicular and passenger utilization on an annual basis is also very similar for these three ferry systems. Due to the more remote location and existing roadway alternatives, it is also not surprising that the Wahkiakum system carries substantially fewer riders than the other three counties. Regardless of the magnitude of ridership numbers, all four county ferries continue to provide a critical link in their local transportation system.

In consideration of the detailed information included previously in this report, the relationship between demand (demographics / land supply / available on-island services) and ferry service provided (schedule / car deck space / parking / passenger space) is very dynamic. The application of a supply/demand model is also highly influenced by a third factor: cost of both providing and using the ferry service. The fare structures established ultimately have a major influence over both short-term and long-term ridership levels.

See the following two graphs for ridership information comparing the four county ferry systems.



County Ferries - Total Passengers (One-Way)



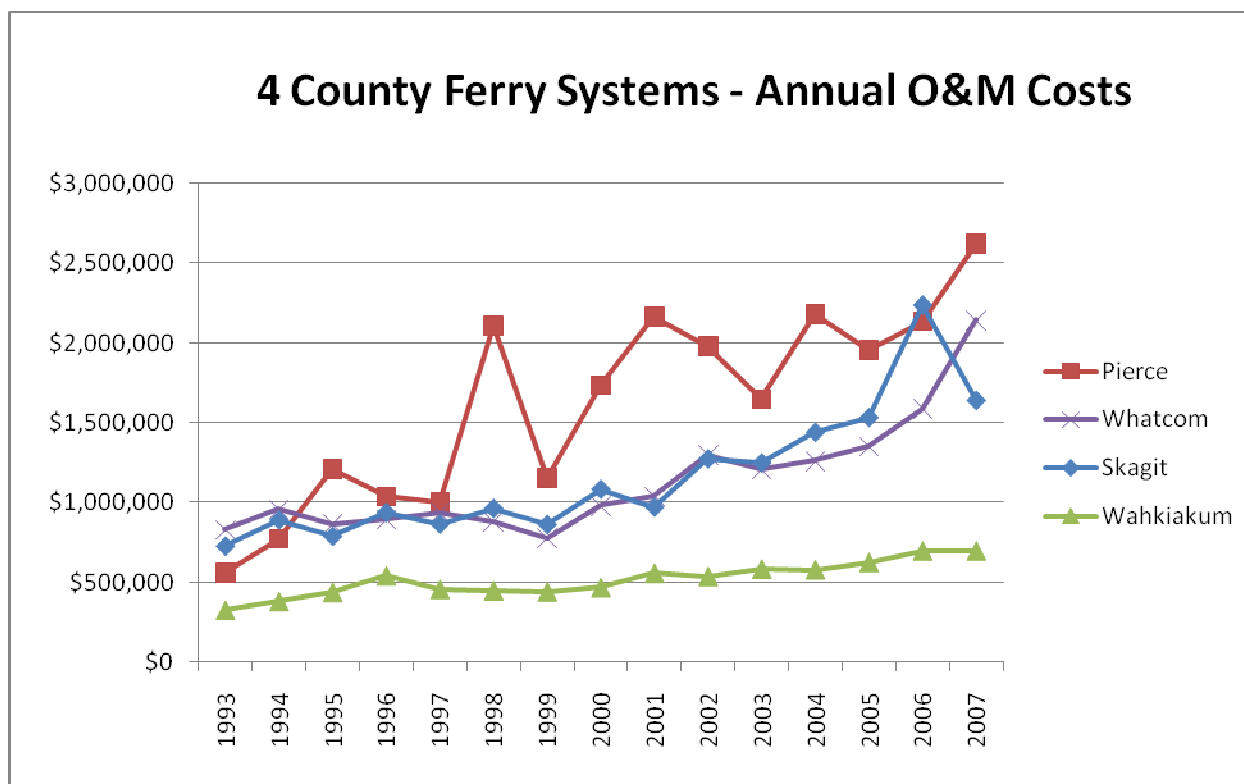
Operation and Maintenance Costs

Operation and Maintenance Costs (O&M) are routinely divided into “fixed” and “variable” costs. The variable costs are primarily fuel (due to the fluctuation in market prices) and the amount expended on a given year for repair/maintenance of the boat and associated docks and facilities. It is not uncommon for many repair/maintenance costs to be considered fixed costs due to their predictable and repetitive nature.

With the formal establishment of an operating schedule, the most significant fixed cost is associated with staffing (whether county employee or contracted operation). Under Coast Guard regulations (operational safety standards), there is a minimum crew size required on each vessel at all times of operation, subject to the vessel’s overall size and user capacity.

Even though not included in this O&M financial analysis, when a capital expenditure occurs local governments are required to account for a depreciation expense as well. While depreciation of capital expenditures will affect the literal calculation of operating costs for an individual ferry system, it is neither included nor allowed in the required financial reporting of ferry O&M at the state level. From a local policy standpoint, depreciation may or may not be included in local rate setting policies.

Following is a graph of the annual O&M costs for each of the four ferry systems.



Operation and Maintenance Revenues

The three categories of O&M revenue include Farebox, Operating Subsidy, and Other Local Funds.

Farebox - The total of all user fees charged for ferry services.

As suggested in the “County Ferry System Use” summary section, the impact of various fare setting policies can highly influence an operational supply/demand evaluation. Each of the counties expends a great deal of organizational time in reviewing and planning for cost recovery through the farebox. It is by far the one revenue source that the ferry user community is most interested in.

See Appendix A for the current rate structures for the counties, and Appendix B for a comparison of rates between the counties and selected WSDOT ferry routes.

Operating Subsidy - Special revenue directed to the counties specifically due to the unique nature and costs of operating a ferry as a part of their road system.

As mentioned in the Wahkiakum County section, due to the fact that this ferry service is actually an extension of a state highway, the operating subsidy is a direct WSDOT budgeted expenditure item. The basis for this subsidy is specifically outlined in RCW 47.56.720. The dollar amount is adjusted periodically as appropriate.

The other three counties (Pierce, Skagit, and Whatcom) currently receive a portion of \$500,000 on an annual basis, as described in RCW 47.56.725. The distribution between the counties is based on the relative magnitude of financial shortfall (operating deficit) of each county on a given year. The “deficit” is the difference between total O&M costs and the combination of farebox revenue and certain local funds. This fixed dollar amount has not increased since 1991.

Other Local Funds - Represents the balance of revenue needs in order to offset all O&M costs.

The source of other local funds is the counties’ Road Fund and its various revenue sources. The two most significant sources include the specific counties’ share of general distribution of Motor Vehicle Fuel Tax (RCW 46.68.090 (2)(h) and 46.68.120) and the local Road Levy (property tax).

In the case of Pierce, Skagit, and Whatcom, a part of their Motor Vehicle Fuel Tax general distribution is a calculated amount that is “attributable to the county ferry”, as noted in RCW 47.56.725 (3). This calculated amount of Motor Vehicle Fuel Tax is considered a part of Other Local Funds because it is only an administrative calculation without any requirement of dedicated use or purpose other than a local county road purpose.

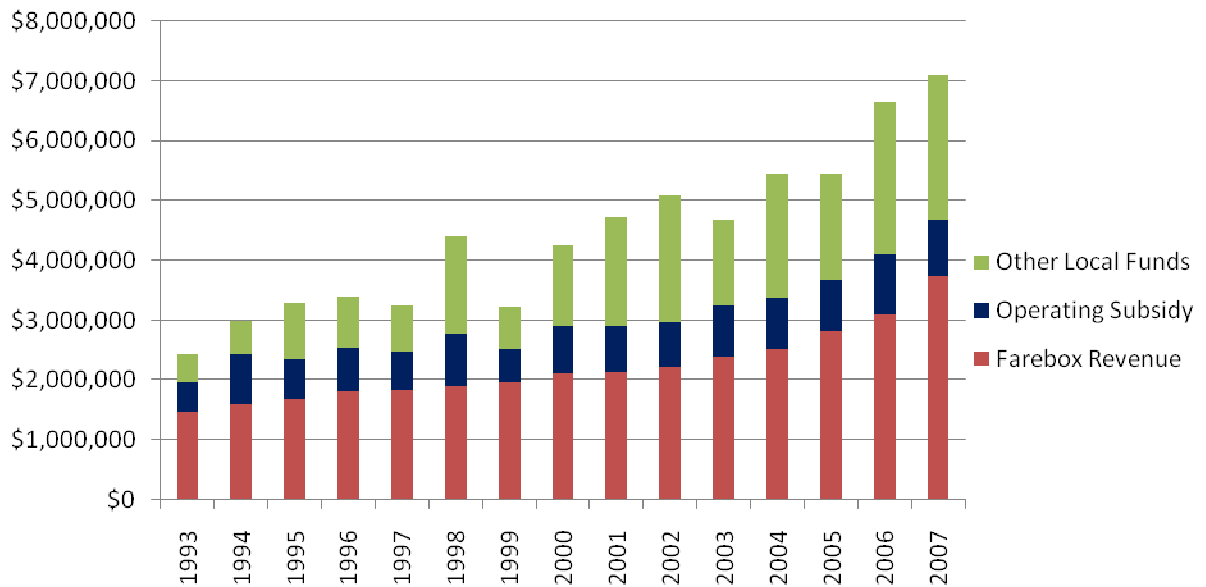
At this time, none of the four counties has formed a Ferry District, under RCW 36.54, to generate local funds for either operating or capital expenses.

The four charts on the following two pages represent the combined relative magnitude of these three revenue sources for the four counties and the relative significance of the three revenue categories for each county.

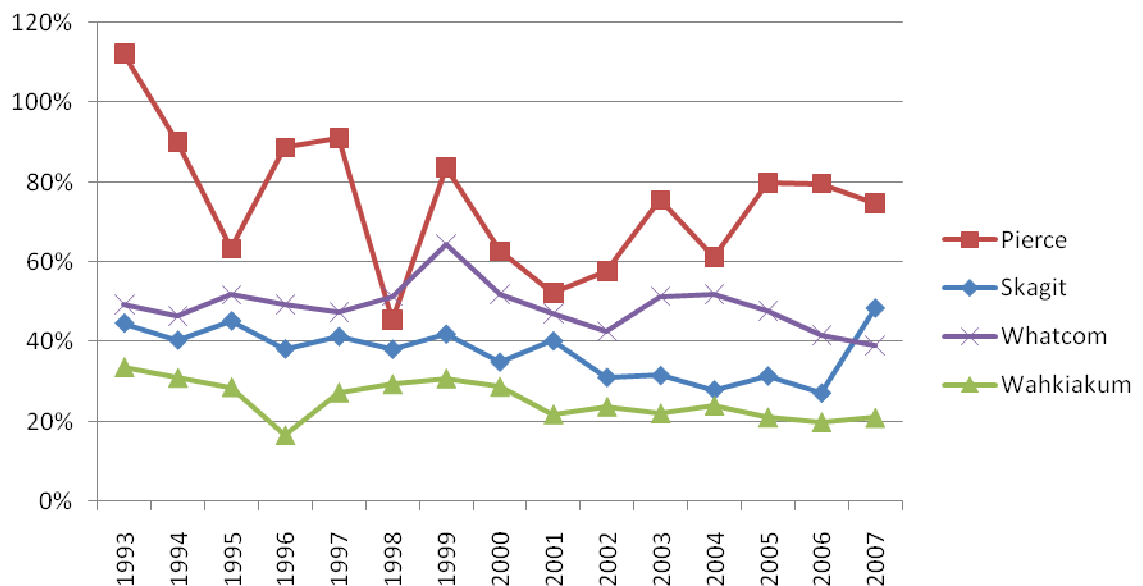
Of particular note, the four graphs, together with the previously presented county detail, confirm:

- O&M costs are highly variable on a given year
- Due to the fixed dollar amount, there is declining significance in the operating subsidy shared between Pierce, Skagit, and Whatcom counties
- Vessel and land use limitations discourage increased farebox revenue generated through growth in numbers of users
- The greatest impact of O&M cost variability is on the local Road Fund

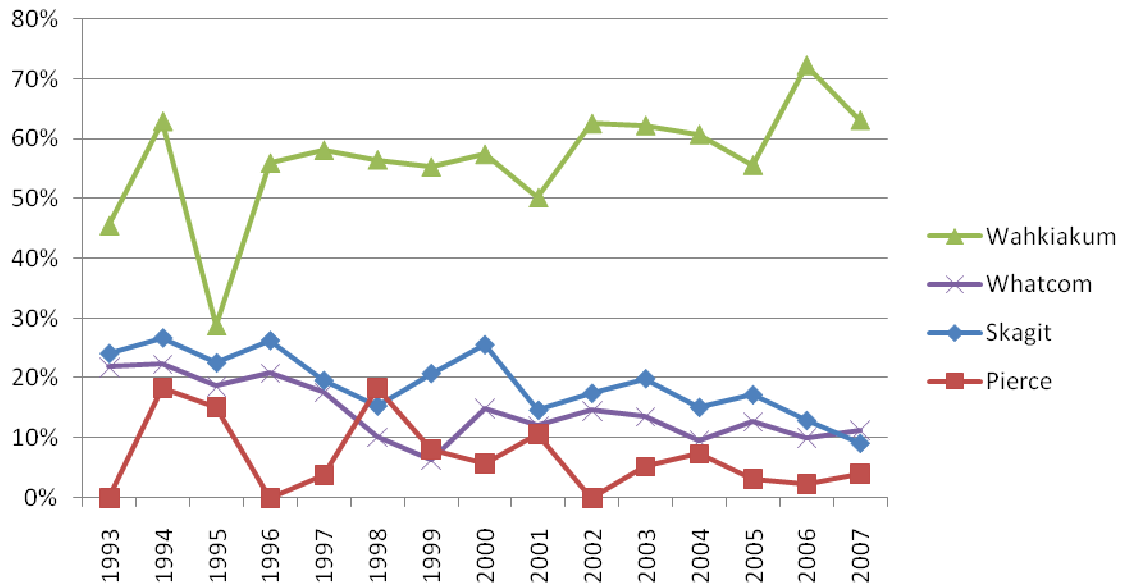
Total of County Ferry System's Major Revenue Sources to cover O&M Costs



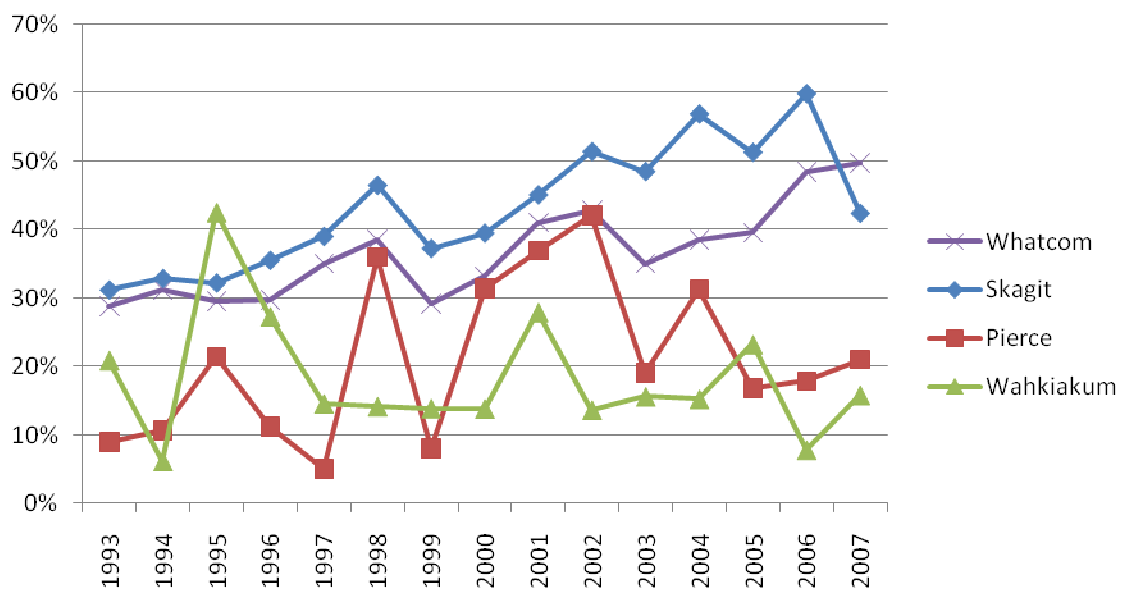
County Ferry Systems Farebox Revenue as a % of O&M Costs



County Ferry Systems Operating Subsidy Revenue as a % of O&M Costs



County Ferry Systems Other Local Funds as a % of O&M Costs



Appendix A County Ferry Fares

Pierce County:

The round-trip fares as of July 1, 2008, are as follows:

Passenger Fares (year-round)

Adults	\$ 4.70
Children (ages 5-18)	3.40
Children (under age 5)	Free
Senior or Disabled	2.40
5 trip ticket	\$18.50

<u>Vehicle Fares (includes driver)</u>	<u>Non-Peak</u>	<u>Peak Season (May 15-Sept. 15)</u>
Up to and including 20 feet long	\$ 15.80	\$ 19.00
Senior or disabled citizen	13.20	15.70
5-trip commuter ticket	66.00	66.00
20 to under 30 feet	32.00	39.00
30 to under 40 feet	51.00	61.00
40 to under 50 feet	68.00	82.00
50 to under 60 feet	85.00	102.00
60 to under 70 feet	102.00	123.00
70 to under 80 feet	125.00	150.00
80 to under 90 feet	148.00	177.00
90 feet and greater	175.00	210.00
Motorcycle	8.50	10.20
5 trip commuter ticket	34.00	34.00
Bicycle (see passenger fares)		
Exempt Vehicles	No cost	No cost

Skagit County

The roundtrip fares as of July 1, 2008 are as follows:

Passenger Fares	Non-Peak	Peak Season (May 20-Sept 10)
Adult	2.00	3.00
Senior/Disabled/Youth	1.00	1.50
Child age 5 and under	Free	
25 Trip Passenger Ticket	45.00	
Quarterly Adult Ticket	102.00	
Semi-Annual Adult Ticket	192.00	
Annual Senior/Disabled Pass	25.00	
25 Trip Youth Ticket	23.00	
Vehicle Fares (includes driver)	Non-Peak	Peak Season (May 20-Sept 10)
Vehicle (under 20 feet) and driver	\$ 7.00	\$ 9.00
10 Trip Ticket	67.00	
20 Trip Ticket	126.00	
Quarterly Ticket	357.00	
Semi-Annual Ticket	672.00	
Vehicle (under 20 feet) and Senior/ Disabled driver	3.50	7.50
Quarterly Ticket	210.00	
Semi-Annual Ticket	420.00	
Motorcycle and rider	4.00	6.00
Senior / Disabled	2.00	4.00
10 Trip Ticket	38.00	
20 Trip Ticket	72.00	
Quarterly Ticket	204.00	
Semi-Annual Ticket	384.00	
Motorcycle and trailer and rider	7.00	7.00
Senior / Disabled	3.50	5.50
Oversized vehicle, 20 to under 25 feet	9.00	11.00
25 to under 30 feet	14.00	16.00
30 to under 35 feet	19.00	21.00
35 to under 40 feet	25.00	27.00
40 to under 45 feet	32.00	34.00
45 to under 50 feet	40.00	42.00
50 to under 55 feet	49.00	51.00
55 to under 60 feet	58.00	60.00
60 to under 65 feet	69.00	71.00
Each 5 ft. increment over 65	3.75	
Overwidth (over 8 feet 6 inches)	Double above charge	
Cash Fares		
Extra run at end of day	\$100.00	
Extra run during off hours	\$315.00	
Charter Rate (first 3 hours)	\$1,000.00	
Each additional hour	\$325.00	

Wahkiakum County

The current one-way fares have been in place since January 1, 1998, and are collected in both directions on-board the ferry while en-route.

Vehicles under 20 feet long	\$ 3.00
Foot passengers	0.50
Bicycle	1.00
Motorcycles	2.00
Motorcycles with trailer	3.00
Trucks & Motorhomes (to 25 feet)	5.00
(Each additional 5 feet or fraction thereof - Motorhomes)	5.00
Trailers under 20 feet	3.00
(Each additional 5 feet or fraction thereof)	2.00
Buses	15.00
Special Trips	85.00
22 trip ticket	40.00
40 trip ticket	75.00

Whatcom County

The roundtrip fares as of June 1, 2008, are as follows:

<u>Passenger Fares</u>	<u>Non-Peak</u>	<u>Peak Season (June 1-August 31)</u>
Passenger / Pedestrian	3.00	4.00
25 trip	40.00	
Children (under 12 with parent)	free	
25 trip Senior/Disabled/Needs	17.00	
25 trip Post HS full-time student	23.00	
Lummi Tribal Member (foot passage)	free	

<u>Vehicle Fares (includes driver)</u>	<u>Non-Peak</u>	<u>Peak Season (June 1-August 31)</u>
Bicycle	\$ 3.00	
Motorcycle	4.00	
Under 8,001 lbs.	8.00	\$ 10.00
10 trip	72.00	
25 trip	160.00	
10 trip Senior/Disabled/Needs	36.00	
Larger Vehicles (includes driver)		
8,001 - 20,000 lbs.	23.00	29.00
10 trip 8,001 - 20,000 lbs.	207.00	
20,001 - 36,000 lbs.	52.00	65.00
10 trip 20,001 - 36,000 lbs.	494.00	
36,001 - 50,000 lbs.	104.00	130.00
10 trip 36,001 - 50,000 lbs.	1,040.00	
Trailer under 16-feet	15.00	
Trailer 16 - 30-feet	31.00	
Trailer over 30-feet	60.00	
Vehicles/trailers more than one lane used	50% surcharge	

Note: Whatcom County is implementing a rate increase effective January 1st, 2009. The primary change is the "peak season" rates listed above will be applied year-round.

Appendix B Comparison of Ferry Fares (Counties and Selected WSDOT Routes)

2008 - Comparison of Current User Fares									
County (one-way trip length)	One-Way Passenger Fare	Round-Trip Passenger Fare	Round-Trip Summer Season	One-Way Car & Driver	Round-Trip Car & Driver	Round-Trip Summer Season	One-Way 50-ft Truck	Round-Trip 50-ft Truck	Round-Trip Summer Season
Pierce (3.5 miles)	n/a	\$4.70	\$4.70	n/a	\$15.80	\$19.00	n/a	\$85.00	\$102.00
Skagit (0.7 miles)	n/a	\$1.00	\$2.00	n/a	\$7.00	\$9.00	n/a	\$49.00	\$51.00
Wahkiakum (1.5 miles)	\$0.50	\$1.00	\$1.00	\$3.00	\$6.00	\$1.00	\$17.00	\$34.00	\$34.00
Whatcom ** (0.9 miles)	n/a	\$3.00	\$4.00	n/a	\$8.00	\$10.00	n/a	\$52.00	* \$65.00
State									
Keller (1.2 miles)			free			free			free
Port Townsend (4.9 miles)	\$2.60		\$5.20	\$11.15		\$22.30	\$66.90		\$133.80
Mukilteo (2.5 miles)	n/a		\$3.95	\$8.60		\$17.20	\$51.60		\$103.20
Pt. Defiance (1.1 miles)	n/a	\$4.30	\$4.30	n/a	\$14.80	\$18.50	n/a	\$74.00	\$92.50
Vashon-Fauntleroy (3.2 miles)	n/a	\$4.30	\$4.30	n/a	\$14.80	\$18.50	n/a	\$74.00	\$92.50

(*) - 20,001 - 36,000 lbs.

(**) - see note on page 54